

**NEW ISSUE
BOOK-ENTRY ONLY**

(BAM Insured) S&P: "AA/Stable"

*In the opinion of Bond Counsel, based on existing statutes, regulations, rulings and court decisions, the interest on the Series 2019A Bonds is excludable from gross income for federal income tax purposes, subject to the condition that the City comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2019A Bonds (and the interest on the Series 2019A Bonds and the Series 2019B Bonds is exempt from State of Arkansas income taxes and the Series 2019A Bonds and the Series 2019B Bonds are exempt from property taxation in the State of Arkansas.) In the opinion of Bond Counsel, interest on the Series 2019A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax and the Series 2019A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code. See **TAX MATTERS** herein.*

**\$9,915,000
CITY OF ELDORADO, ARKANSAS
WATER AND SEWER REFUNDING REVENUE BONDS**

**\$4,540,000
Series 2019A**

**\$5,375,000
Taxable Series 2019B**

Dated: Date of Delivery

Due: October 1, as shown on the inside front cover

The Series 2019A Bonds and the Taxable Series 2019B Bonds (collectively, the "Bonds") will not be general obligations of the City of El Dorado, Arkansas (the "City"), but will be special obligations, secured by a first and prior pledge of and payable from revenues derived from the operation of the City's water and sewer system (the "System"). See **THE BONDS, Security**.

Interest on the Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2020, and the Bonds mature (on October 1 of each year), bear interest and are priced to yield as shown on the inside front cover. The Bonds are subject to redemption prior to maturity or described herein. See **THE BONDS, Redemption**.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy or policies to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



The Bonds of each maturity and series will be initially issued as a single registered bond registered in the name of Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York. The Bonds will be available for purpose in book-entry form only, in denominations of \$5,000 or any integral multiple thereof. Except in limited circumstances described herein, purchasers of the Bonds will not receive physical delivery of Bonds. Payments of principal of and interest on the Bonds will be made by Simmons Bank, Pine Bluff, Arkansas, as the Trustee, directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Bonds, all as further described herein.

The Bonds are offered when, as and if issued and received by the Underwriter named below, subject to approval as to legality by Friday, Eldredge & Clark, LLP, Bond Counsel, and subject to satisfaction of certain other conditions.

This cover page contains information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.



Dated: December 3, 2019.

\$9,915,000
CITY OF EL DORADO, ARKANSAS
WATER AND SEWER REFUNDING REVENUE BONDS, SERIES
2019A AND TAXABLE SERIES 2019B

MATURITY SCHEDULE

\$4,540,000 Series 2019A Bonds

Year (October 1)	Principal Amount	Interest Rate(%)	Yield(%)
2020	\$ 210,000	3.000	1.600
2021	305,000	3.000	1.650
2022	320,000	3.000	1.720
2023	330,000	3.000	1.770
2024	335,000	3.000	1.820
2025	345,000	3.000	1.900**
2026	355,000	3.000	1.990**
2027	365,000	2.250	2.300
2028	375,000	2.250	2.380
2029	385,000	2.375	2.450
2032*	1,215,000	3.000	2.450**

\$5,375,000 Taxable Series 2019B Bonds

Year (October 1)	Principal Amount	Interest Rate(%)	Yield(%)
2020	\$ 350,000	2.050	2.050
2021	450,000	2.140	2.140
2023*	930,000	2.310	2.310
2024	480,000	2.440	2.440
2025	490,000	2.540	2.540
2026	505,000	2.730	2.730
2027	520,000	2.880	2.880
2030*	1,650,000	3.000	3.030

* Term Bonds

** Priced to first optional redemption date, April 1, 2025

No dealer, broker, salesman or any other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering of the Bonds described herein and, if given or made, such information or representations must not be relied upon as having been authorized by the City. Neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create any implication that there has been no change in the business, operations or financial condition of the City since the date hereof. This Official Statement does not constitute an offer or solicitation in any state in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or is made to any person to whom it is unlawful to make such offer or solicitation.

The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Authorizing Ordinance described herein been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions in such laws from such registration and qualification.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under **BOND INSURANCE** and Exhibit B - Specimen Municipal Bond Insurance Policy.

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OFFICIAL STATEMENT

\$9,915,000

CITY OF EL DORADO, ARKANSAS WATER AND SEWER REFUNDING REVENUE BONDS

\$4,540,000
Series 2019A

\$5,375,000
Taxable Series 2019B

INTRODUCTION TO THE OFFICIAL STATEMENT

This Introduction is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement, including the cover page and inside cover page hereof and the exhibits hereto. A full review should be made of the entire Official Statement, as well as the Authorizing Ordinance described herein.

This Official Statement is provided to furnish certain information in connection with the issuance by the City of El Dorado, Arkansas (the "City"), of its Water and Sewer Refunding Revenue Bonds, Series 2019A, in the aggregate principal amount of \$4,540,000 (the "Series 2019A Bonds"), and its Water and Sewer Refunding Revenue Bonds, Taxable Series 2019B, in the aggregate principal amount of \$5,375,000 (the "Series 2019B Bonds"). The Series 2019A Bonds are being issued (i) to current refund the City's Water and Sewer Revenue Bonds, Series 2012 (the "Series 2012 Bonds"), which financed extensions, betterments and improvements to the City's combined water and sewer system (the "System"), (ii) to provide a debt service reserve insurance policy and (iii) to pay expenses of issuing and insuring the Series 2019A Bonds. The Series 2019B Bonds are being issued (i) to advance refund the City's Water and Sewer Refunding Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), which financed extensions, betterments and improvements to the System, (ii) to provide a debt service reserve insurance policy and (iii) to pay expenses of issuing and insuring the Series 2019B Bonds. See **THE BONDS, Purposes for Bonds**.

The City is a city of the first class organized under the laws of the State of Arkansas (the "State") located in Union County, Arkansas (the "County") which is in south central Arkansas. The City is authorized and empowered under the laws of the State, including particularly Title 14, Chapter 234, Subchapter 2, Title 14, Chapter 235, Subchapter 2 and Title 14, Chapter 164, Subchapter 4 of the Arkansas Code of 1987 Annotated (the "Authorizing Legislation"), to issue revenue bonds and to expend the proceeds thereof for the intended purposes. See **THE CITY AND THE COUNTY**.

The Series 2019A Bonds and the Series 2019B Bonds (collectively, the "Bonds") are not general obligations of the City, but are special obligations payable solely from a first and prior pledge of revenues derived from the operation of the System. See **THE BONDS, Security**.

The Bonds are being issued pursuant to and in full compliance with the Constitution and laws of the State, particularly the Authorizing Legislation, and Ordinance No. 1877, adopted on November 21, 2019 (the "Authorizing Ordinance"). See **THE AUTHORIZING ORDINANCE**.

The Bonds will be initially issued in book-entry form and purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. See **THE BONDS, Book-Entry Only System**. The Bonds will contain such other terms and provisions as described herein. See **THE BONDS, Generally**.

The Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or an integral multiple thereof. Interest is payable April 1, 2020, and semiannually thereafter on each April 1 and October 1. Principal is payable at the principal office of Simmons

Bank, Pine Bluff, Arkansas, as trustee and paying agent (the "Trustee"). Interest is payable by check mailed by the Trustee to the registered owners as of the record date for each interest payment date. The record date for payment of interest on the Bonds shall be the fifteenth day of the calendar month next preceding each interest payment date. A Bond may be transferred, in whole or in part (in integral multiples of \$5,000), but only upon delivery of the Bond, together with a written instrument of transfer, to the Trustee. See **THE BONDS, Generally**.

The Bonds are subject to optional redemption on and after April 1, 2025. The Series 2019A Bonds maturing on October 1, 2032 and the Series 2019B Bonds maturing on October 1, 2023 and October 1, 2030 are subject to mandatory sinking fund redemption as described herein. The Trustee shall give at least thirty (30) days notice of redemption. See **THE BONDS, Redemption**.

The scheduled payment of the principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy or policies (collectively, the "Insurance Policy") to be issued by Build America Mutual Assurance Company (the "Insurer" or "BAM") simultaneously with the delivery of the Bonds. A specimen municipal bond insurance policy is attached hereto as Exhibit B. It is expected that S&P Global Ratings will assign a rating of "AA/Stable" to the Bonds based upon the issuance of the Insurance Policy by the Insurer at the time of delivery of the Bonds. However, there is no guarantee that such rating will be received. See **BOND INSURANCE and MISCELLANEOUS, Rating**.

Under existing law and assuming compliance with certain covenants described herein, (i) interest on the Series 2019A Bonds is excludable from gross income for federal income tax purposes, (ii) interest on the Series 2019A Bonds is not an item of tax preference for purposes of the federal alternative minimum tax, (iii) the Series 2019A Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), (iv) interest on the Bonds is exempt from State income tax and (v) the Bonds are exempt from property taxes in the State. See **TAX MATTERS**.

It is expected that the Bonds will be available for delivery on or about December 27, 2019, through the facilities of the Depository Trust Company in New York, New York.

The City and the Trustee have entered into a Continuing Disclosure Agreement in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Continuing Disclosure Agreement"). See **CONTINUING DISCLOSURE AGREEMENT**.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Authorizing Ordinance and the Continuing Disclosure Agreement summarized herein are available upon request from Crews & Associates, Inc., First Security Center, 521 President Clinton Avenue, Suite 800, Little Rock, Arkansas 72201, Attention: Public Finance.

THE BONDS

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, or its successor, will act as securities depository for the Bonds. The Bonds will each be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate for each maturity date of each series will be issued in the principal amount of the maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (referred to herein as "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If fewer than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and premium, if any, payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered.

The information concerning DTC and DTC's book-entry system set forth above has been obtained from DTC. Neither the Underwriters nor the City make any representation or warranty regarding the accuracy or completeness thereof.

So long as the Bonds are in book-entry only form, Cede & Co., as nominee for DTC, will be treated as the sole owner of the Bonds for all purposes under the Authorizing Ordinance, including receipt of all principal of and interest on the Bonds, receipt of notices, voting and requesting or directing the Trustee to take or not to take, or consenting to, certain actions under the Authorizing Ordinance. The City and the Trustee have no responsibility or obligation to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Authorizing Ordinance to be given to owners of Bonds; or (d) other action taken by DTC or Cede & Co. as owner of the Bonds.

Generally. The Bonds shall be dated, mature and bear interest and interest is payable on the Bonds as set forth on the cover page hereof. The Bonds are issuable in the form of registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof, interchangeable in accordance with the provisions of the Authorizing Ordinance. In the event any Bond is mutilated, lost or destroyed, the City shall, if not then prohibited by law, execute and the Trustee may authenticate a new Bond in accordance with the provisions therefor in the Authorizing Ordinance.

Each Bond is transferable by the registered owner thereof or by his attorney duly authorized in writing at the principal office of the Trustee. Upon such transfer a new fully registered Bond or Bonds of the same maturity and series, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor.

No charge shall be made to any owner of any Bond for the privilege of registration, but any owner of any Bond requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. Except as otherwise provided in the immediately preceding sentence, the cost of preparing each new Bond upon each exchange or transfer and any other expenses of the City or the Trustee incurred in connection therewith shall be paid by the City. Neither the City nor the Trustee shall be required to transfer or exchange any Bonds selected for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or premium, if any, or interest of any Bond shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or shall be in the State a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal (and premium, if any) need not be made on such date but may be made on the next succeeding business day not a Saturday or Sunday or a legal holiday or a day upon which banking institutions are authorized by law to close with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after the date of maturity or date fixed for redemption.

Redemption. The Bonds are subject to optional and mandatory sinking fund redemption as follows:

(1) Optional Redemption. The Series 2019A Bonds may be redeemed at the option of the City from funds from any source, on and after April 1, 2025, in whole at any time or in part on any interest payment date, at par plus accrued interest to the redemption date. If fewer than all of the Series 2019A Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Series 2019A Bonds of any one maturity shall be called for redemption, the particular Series 2019A Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

The Series 2019B Bonds may be redeemed at the option of the City from funds from any source, on and after April 1, 2025, in whole at any time or in part on any interest payment date, at par plus accrued interest to the redemption date. If fewer than all of the Series 2019B Bonds shall be called for redemption, the particular maturities to be redeemed shall be selected by the City in its discretion. If fewer than all of the Series 2019B Bonds of any one maturity shall be called for redemption, the particular Series 2019B Bonds or portion thereof to be redeemed from such maturity shall be selected by lot by the Trustee.

(2) Mandatory Sinking Fund Redemption. To the extent not previously redeemed, the Series 2019A Bonds maturing on October 1, 2032 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on October 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

SERIES 2019A BONDS MATURING OCTOBER 1, 2032

Year (October 1)	Principal Amount
2030	\$390,000
2031	405,000
2032 (maturity)	420,000

To the extent not previously redeemed, the Series 2019B Bonds maturing on October 1 in the years 2023 and 2030 are subject to mandatory sinking fund redemption by lot in such manner as the Trustee shall determine, on October 1 in the years and in the amounts set forth below, at a redemption price equal to the principal amount being redeemed plus accrued interest to the date of redemption:

SERIES 2019B BONDS MATURING OCTOBER 1, 2023

Year (October 1)	Principal Amount
2022	\$460,000
2023 (maturity)	470,000

SERIES 2019B BONDS MATURING OCTOBER 1, 2030

Year (October 1)	Principal Amount
2028	\$535,000
2029	550,000
2030 (maturity)	565,000

In case any outstanding Bond is in a denomination greater than \$5,000, each \$5,000 of face value of such Bond shall be treated as a separate Bond of the denomination of \$5,000.

In the case of any redemption of Bonds prior to maturity, the Trustee shall mail or send via other standard means, including electronic or facsimile communication, a copy of the redemption notice to the registered owners of the Bonds to be redeemed, in each case not less than 30 nor more than 60 days prior to the date of redemption. After the date for redemption no further interest shall accrue on any Bond called for redemption if funds for redemption of such Bond have been deposited with the Trustee as provided in the Authorizing Ordinance.

Notwithstanding the above, so long as the Bonds are issued in book-entry only form, if fewer than all the Bonds of a series are called for redemption, the particular Bonds to be redeemed will be selected pursuant to the procedures established by DTC. So long as the Bonds are issued in book-entry only form, notice of redemption will be given only to Cede & Co., as nominee for DTC. **The Trustee will not give any notice of redemption to the Beneficial Owners of the Bonds.**

Purposes for Bonds. The Series 2019A Bonds are being issued to current refund the Series 2012 Bonds, provide a debt service reserve insurance policy and pay expenses of issuing and insuring the Series 2019A Bonds.

The Series 2012 Bonds financed extensions, betterments and improvements to the System (the "2012 Improvements"). The 2012 Improvements consisted of the rebuilding of up to three wastewater lift stations, the replacement and installation of the AMR water meters and the acquisition and construction of a wastewater disposal pipeline, together with all associated equipment.

The Series 2012 Bonds are expected to be redeemed on the date that the Bonds are issued or the earliest practical date thereafter.

The Series 2019B Bonds are being issued to advance refund the Series 2010 Bonds, provide a debt service reserve insurance policy and pay expenses of issuing and insuring the Series 2019B Bonds.

The Series 2010 Bonds advance refunded the City's Water and Sewer Refunding and Improvement Revenue Bonds, Series 2001. The proceeds of the Series 2019B Bonds and available funds held in accordance with the Series 2010 Bonds will be deposited with the Trustee for the Series 2010 Bonds and invested in United States Treasury Obligations and applied to pay the principal of and interest on the Series 2010 Bonds when due through December 1, 2020 and to redeem the balance of the Series 2010 Bonds on December 1, 2020.

The sources and uses of funds to refund the Series 2010 Bonds and the Series 2012 Bonds (collectively, the "Bonds Refunded") are estimated to be as follows:

SOURCES:

	<u>Series 2019A</u>	<u>Series 2019B</u>	<u>Total</u>
Principal Amount of Bonds	\$4,540,000	\$5,375,000	\$ 9,915,000
Net Original Issue Premium	114,803		114,803
Original Issue Discount		(4,571)	(4,571)
Available Funds from Bonds Refunded	620,936	754,535	1,375,471
Total Sources	\$5,275,739	\$6,124,964	\$11,400,703

USES:

	<u>Series 2019A</u>	<u>Series 2019B</u>	<u>Total</u>
Refunding Deposit	\$5,171,072	\$6,007,941	\$11,179,013
Costs of Issuance and Insurance Policy and Reserve Policy Premiums	59,267	63,273	122,540
Underwriter's Discount	45,400	53,750	99,150
Total Uses	\$5,275,739	\$6,124,964	\$11,400,703

The payment of Underwriter's discount, bond insurance policy premiums, debt service reserve insurance policy premiums and the costs of issuing the Bonds relating to the payment of professional fees will be contingent on the Bonds being issued. See **MISCELLANEOUS, Underwriting** for a description of the Underwriter's discount. The Underwriter will also be reimbursed certain costs of closing and delivering the Bonds.

Security. The Bonds are not general obligations of the City but are special obligations, equally and ratably secured by a first and prior pledge of the revenues derived from operation of the System. The Bonds are secured under the Authorizing Ordinance. For a summary of the terms of the Authorizing Ordinance, see **THE AUTHORIZING ORDINANCE** herein. The City may issue additional bonds on a parity of security with the Bonds. See **THE AUTHORIZING ORDINANCE, Additional Parity Bonds.**

The Bonds are secured by a Debt Service Reserve Account, established within the Bond Fund (as hereinafter defined), which will be funded with a municipal bond debt service reserve insurance policy or policies (collectively, the "Reserve Policy") issued by Build America Mutual Assurance Company (the "Reserve Insurer"). The face amount of the Reserve Policy will be an amount equal to one-half (1/2) of the maximum annual debt service requirements on the Bonds. The Debt Service Reserve Account will only secure the Bonds and will not secure any parity bonds.

THE CITY AND THE COUNTY

Location. The City is a city of the first class organized and existing under the laws of the State. The City is the county seat of the County which is located in the south central part of the State. The City is located 117 miles south of Little Rock, Arkansas.

The Population. The following table sets forth the population trends for the City and County:

<u>Year</u>	<u>City</u>	<u>County</u>
1970 ⁽¹⁾	25,283	45,428
1980 ⁽¹⁾	26,685	48,573
1990 ⁽¹⁾	23,146	46,719
2000 ⁽¹⁾	21,530	45,629
2010 ⁽¹⁾	18,884	41,639
2018 ⁽²⁾	17,932	39,126
2019 ⁽²⁾	18,251	40,576

⁽¹⁾Census

⁽²⁾Estimate as of July 1

Transportation. The City is served by U.S. Highway Nos. 82 and 167. The Union Pacific System makes daily shipments from the City to major cities across the United States.

The City is served by the South Arkansas Regional Airport which has FAA certified radio communications and a 6,600 - foot lighted runway. Southern Airways Express provides commercial service.

Government. The government of the City operates under the mayor-council form of government, pursuant to which a mayor is elected for a four-year term and eight council persons are elected for two-year terms. Current terms for council persons expire December 31, 2020. The Mayor is Veronica Smith-Creer who is serving her first term which expires on December 31, 2022. The members of the council and their principal occupations are as follows:

<u>Name</u>	<u>Occupation</u>
Billy Blann	Retired
Vance Williamson	Businessman
Willie McGhee	Social Worker
Judy Ward	Retired
Andre Rucks	Insurance
Mike Rice	Small Business Owner
Paul Choate	Insurance
Dianne Hammond	Volunteer

Medical Facilities. The Medical Center of South Arkansas is the general acute care hospital located in the City. It is a 166 bed facility.

Financial Institutions. The City is served by First Financial Bank, BancorpSouth Bank, Simmons Bank, Regions Bank, Smackover State Bank, Southern Bancorp Bank and Community First Trust Company.

Education. Primary and secondary education for the City's inhabitants are provided by a public school system which is fully accredited by the Arkansas State Department of Education. The City is served by the South Arkansas Community College, a public, two-year institution, with an enrollment of approximately 1484.

Economy. The economy of the City is a mixture of industry, forestry and agriculture. Set forth below are the characteristics of the major employers within or near the City (over 150 employees):

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
Medical Center of South Arkansas	Health Care	700
El Dorado Public Schools	Education	617
Delek US – El Dorado Refinery	Oil Products	605
Murphy USA	Gasoline Retailer	600
Lanxess	Bromine Products	510
Wal-Mart Supercenter	Retail	430
Clean Harbors	Hazardous Waste Incineration	420
El Dorado Packaging Co.	Paper Bags	275
AmerCable	Electrical Steel Cable	250
City of El Dorado	Government	223
Milam Construction	Construction	200
Canfor Southern Pine	Lumber Products	165
Murphy Oil Corporation	Petroleum Products	150

Litigation. There is no material litigation pending or threatened against the City that would materially adversely affect the financial condition of the City.

County Economic Data. Per capita personal income estimates for the County and the State are as follows for the years indicated:⁽¹⁾

<u>Year</u>	<u>County</u>		<u>State</u>	
	<u>Per Capita Personal Income</u>	<u>Average Annual Growth (Decline) (%)</u>	<u>Per Capita Personal Income</u>	<u>Average Annual Growth (Decline) (%)</u>
2012	\$46,194		\$36,149	
2013	42,788	(4.61)	35,995	(0.36)
2014	43,962	2.74	37,985	5.53
2015	41,173	(6.34)	39,067	2.85
2016	39,090	(5.10)	39,746	1.74
2017	43,836	12.14	41,046	3.27

Total personal income estimates for the County and the State are as follows for the years indicated:⁽¹⁾

<u>Year</u>	<u>County</u>		<u>State</u>	
	<u>Total Personal Income</u>	<u>Average Annual Growth (Decline) (%)</u>	<u>Total Personal Income</u>	<u>Average Annual Growth (Decline) (%)</u>
2012	\$1,832,340,000		\$106,536,954,000	
2013	1,736,908,000	(5.21)	106,429,638,000	(0.10)
2014	1,764,150,000	1.57	112,619,155,000	5.82
2015	1,649,928,000	(6.47)	116,248,596,000	3.22
2016	1,558,410,000	(5.55)	118,769,649,000	2.17
2017	1,729,292,000	10.97	123,313,411,000	3.83

⁽¹⁾ Source: Bureau of Economic Analysis, U.S. Department of Commerce.

The annual average unemployment rates for the County and the State since 2014 are as follows according to the Arkansas Department of Workforce Services:

<u>Year</u>	<u>Annual Average Unemployment Rate(%)</u>	
	<u>County</u>	<u>State</u>
2014	7.4	6.0
2015	6.1	5.0
2016	5.5	4.0
2017	5.3	3.7
2018	5.6	3.7
2019	5.9	4.0 ⁽¹⁾

⁽¹⁾ As of July 2019.

THE SYSTEM

Governance. The System was formerly managed by a Water and Sewer Commission (the "Commission") established by the City. On July 17, 2017, City Council abolished the Commission. The System is now under control of the City Council. The Commission had operated the System since at least 1956.

Employees. The System employs approximately 64 persons. The General Manager of the System was terminated on or about the time that the Commission was abolished in 2017. All employees of the System report to Robert Edmonds who is the Director of Public Works for the City.

Operating Data.

Water Utility. The System's water utility (the "Water Utility") was purchased by the City in 1959. The water supply is obtained from nine (9) sparta sand wells. The downtown pumping plant consists of one 1,000,000 gallon ground storage tank and three pumps. Total pumping capacity is 2,500 gallons per minute. The Mt. Holly pumping plant consists of a 1,000,000 gallon ground storage tank and two pumps. Total pumping capacity for the Mt. Holly plant is 4,050 gallons per minute. The Champagnolle plant consists of two 2,000,000 gallon ground storage and four pumps. Pumping capacity for the Champagnolle plant is 5,700 gallons per minute. The plants pump into two 500,000 gallon and two 2,000,000 gallon elevated tanks. The only treatment is the addition of chlorine and fluoride.

Sewer Utility. The System's sewer utility (the "Sewer Utility") was purchased in 1959. The Sewer Utility operates a gravity wastewater collection system that has approximately 500 miles of sewer main and eight lift stations. All sewage flowing from the System is pumped to the Sewer Utility's wastewater treatment plant by means of a pumping station. The wastewater treatment plant began operating in 1980 and has not been upgraded. It is designed to treat 12 million gallons per day.

Water Users. The following table reflects the number of customers of the Water Utility in the various classifications for the years indicated:

<u>Customer Class</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Residential	8,099	8,119	8,177	8,546	8,527
Commercial	1,098	1,097	1,083	1,108	1,112
Industrial	81	79	79	85	84
Wholesale Users	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
Totals:	9,286	9,303	9,347	9,747	9,731

The decline in customers from 2015 to 2016 is reflective of a decline in population plus a City-wide new cellular meter change out completed in early 2017. Old manual read meters were pulled from vacant residences which reduced the number of meters in the System. Only a few manual read meters remain at certain commercial locations.

Sewer Users. The following table reflects the number of sewer customers of the Sewer Utility in the respective classifications for the years indicated:

<u>Customer Class</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Residential	7,017	7,058	7,045	7,368	7,399
Commercial	952	949	930	953	966
Industrial	54	52	52	56	55
Rural Water Authority	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Totals:	8,024	8,066	8,058	8,378	8,421

The decline in customers from 2015 to 2016 is reflective of a decline in population.

Major System Users. No users of the System accounted for more than 5% of annual System revenues for 2018. The following table sets forth information on the top 5 System users for the year 2018 based upon revenues.

<u>User</u>	<u>Water Revenues</u>	<u>Sewer Revenues</u>	<u>Total Revenues</u>
Del-Tin Fiber	284,269	32,592	316,861
Clean Harbors Envrn Srvs	116,531	2,086	118,617
Amercable Corp.	88,017	73,882	161,899
Lion Oil	73,588	61,172	134,760
El Dorado Chemical Company	70,588	-0-	70,588

The City sells water wholesale on a monthly basis to eight wholesale users. None of the wholesale water users purchase water pursuant to a contract and each user pays the standard customer rate for 1,000 gallons. As a group, these wholesale water users accounted for less than 1% of the total System revenues in 2018.

The City contractually accepts wastewater from a rural water authority for treatment and disposal. This customer accounted for less than 1% of the total System revenue in 2018.

Daily Water Usage. The following table shows historical water usage statistics for the Water Utility for the years indicated:

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Average Daily Use in Gallons	3,218,300	3,032,000	3,739,000	3,627,000	3,530,000
Maximum Day's Use in Gallons	6,072	5,624,000	6,191,000	6,136,000	5,983,000

Rates and Charges. The rates and charges for water and sewer service provided to customers of the System fixed by City ordinances. The latest rate ordinances were adopted on March 5, 2009 and July 7, 2011. The rate increase in 2009 for water service represented a 45% increase. The rate increase in 2009 for sewer service represented a 45% increase. The rate increase in 2011 for water service represented a 7.22% increase. The rate increase in 2011 for sewer service represented a 7.22% increase. The water and sewer rates are subject to adjustment in August of each year. The annual increase will be an amount equal to 4.75% above the rate currently in effect plus the total percent increase of the most recent available average consumer price index as published by the United States Department of Labor for the previous 12 month period. The scheduled increase for August 2017 was not placed in effect nor was there an increase in August 2018. The latest increase in water and wastewater rates was made on March 25, 2019 at an increase of 4.95%.

Water and sewer rates are as follows:

Water Rates

Monthly Metered Customer Base Water Charge. For bills rendered after March 25, 2019, each metered customer is to be charged a monthly base charge for water as follows:

<u>Meter Size</u>	<u>Inside City</u>	<u>Outside City</u>
5/8"	\$ 11.80	\$ 12.97
1"	28.48	31.33
1 1/2"	56.91	62.61
2"	113.78	125.61
3"	218.81	240.70
4"	437.64	481.40
6"	1,094.08	1,203.49
10"	1,705.08	1,875.60

Charges for multiple unit facilities, such as apartments, serviced by a single meter are calculated based on a 5/8" meter size and usage times the number of units.

Additional Monthly Water Charges. In addition to the monthly base charge, for bills rendered after March 25, 2019 the following rates apply to the amount of water used per 1,000 gallons or a portion thereof per month above 1,000 gallons:

	<u>Inside City</u>	<u>Outside City</u>
For 1,000 to 10,000 gallons of water consumption per month	\$3.97 per 1,000 gallons	\$4.37 per 1,000 gallons
All over 10,000 gallons of water consumption per month	3.25 per 1,000 gallons	3.57 per 1,000 gallons

Sewer Rates

For bills rendered after March 25, 2019 the following sewer rates apply to the amount of metered water consumption per month:*

	<u>Inside City</u>	<u>Outside City</u>
For 1,000 gallons of water consumption per month or portion thereof	\$15.31 (minimum)	\$16.83 (minimum)
For all monthly water consumption in excess of 1,000 gallons per month	2.90 per 1,000 gallons	3.19 per 1,000 gallons

Charges for multiple unit facilities, such as apartments, served by a single meter are calculated based on usage times the number of units.

Capital Improvement Plan. The City has engaged Raftelis to conduct a rate study for the System. The purpose of the rate study is to recommend water and sewer rate increases that will provide revenues to support water and sewer revenue bonds to be issued to finance two new wastewater treatment plants. The combined total of the new wastewater treatment plants is expected to cost approximately \$26,000,000. Construction on the first wastewater treatment plant is expected to commence in 2021. Construction on the second wastewater treatment plant is expected to commence in 2025.

Litigation. There are no material legal or regulatory proceedings currently pending or threatened against the Commission or the City involving the System.

BOND INSURANCE

Bond Insurance Policy. Concurrently with the issuance of the Bonds, BAM will issue the Insurance Policy. The Insurance Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Insurance Policy included as an Exhibit to this Official Statement.

The Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company. BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the

* For residential users, metered water consumption is based upon a winter average.

exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the City on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Insurance Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$552.8 million, \$130.8 million and \$422.1 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

BAM GreenStar Bonds. The Bonds have been designated BAM GreenStar Bonds because BAM has determined that the use of bond proceeds by the City as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principals (GBPs) developed by the International Capital Markets Association (ICMA). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds. BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and is Climate Bond Initiative approved verifier. The Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings.

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

For projects under construction, the bond obligor has agreed to furnish annual information to BAM on the status of the project until completion, which will be reflected in the BAM Credit Profile for the Bonds.

The BAM GreenStar designation is based upon information obtained by BAM, which information BAM believes to be reliable, at the time of the issuance of the Bonds. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstarand> <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the City or the Underwriter, and the City and the Underwriter assume no responsibility for such designation.

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditisights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the City or the Underwriter, and the City and the Underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

THE AUTHORIZING ORDINANCE

The Bonds are being issued and secured pursuant to the Authorizing Ordinance, to which reference may be had in its entirety for a detailed statement of its provisions, the description set forth below being a summary of certain provisions. The City will covenant as set forth below in the Authorizing Ordinance.

Rates and General Covenants to Operate. (a) The rates charged for services of the System heretofore fixed by ordinances of the City, and the conditions, rights and obligations pertaining thereto, as set out in those ordinances are ratified, confirmed and continued.

(b) The System shall be continuously operated as a revenue-producing undertaking and the City will not sell or lease the same, or any substantial portion thereof. However, nothing shall be construed to prohibit the City from making such dispositions of properties of the System and such replacements and substitutions for properties of the System as shall be necessary or incidental to the efficient operation of the System as a revenue-producing undertaking.

(c) The City covenants that the rates shall never be reduced while any of the Bonds are outstanding unless there is obtained from an independent certified public accountant ("Accountant") a certificate that the Net Revenues ("Net Revenues" being defined as gross revenues of the System less the expenses of operation and maintenance of the System, including all expense items properly attributable to the operation and maintenance of the System under generally accepted accounting principles applicable to municipal water and sewer systems other than depreciation, interest and amortization expenses), with the reduced rates, will always be equal to at least 110% of the maximum annual principal and interest requirements on all outstanding bonds to which System revenues are pledged ("System Bonds"), plus the amount needed to make all deposits required to be made into the Depreciation Fund and any debt service reserves for System Bonds and to reimburse the insurers of System Bonds for any amounts owed in connection with debt service reserve fund insurance policies or surety bonds for System Bonds, including the Reserve Policy. The City further covenants that the rates shall, if and when necessary, from time to time, be increased in such manner as will produce Net Revenues at least equal to 110% of the current year's debt service on all System Bonds and the amount needed to make the deposits into the Depreciation Fund and any debt service reserves for System Bonds and to reimburse the insurers of any System Bonds for any amounts owed in connection with debt service reserve fund insurance policies or surety bonds for System Bonds, including the Reserve Policy.

Funds and Disposition of Revenues. (a) All revenues derived from the operation of the System shall be first deposited into a special fund designated "Water and Sewer Revenue Fund" (the "Revenue Fund") in a depository bank selected by the City that is a member of the Federal Deposit Insurance Corporation ("FDIC").

(b) There shall be first paid from the Revenue Fund into a special fund designated "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), on the first business day of each month, an amount sufficient to pay the reasonable and necessary monthly expenses of operation, repair and maintenance of the System for such month and

from which disbursements shall be made only for those purposes. Fixed annual charges such as insurance premiums and the cost of major repair and maintenance expenses may be computed and set up on an annual basis, and one-twelfth (1/12) of the amount thereof may be paid into the Operation and Maintenance Fund each month.

If in any month for any reason there shall be a failure to transfer and pay the required amount into the Operation and Maintenance Fund, the amount of any deficiency shall be added to the amount otherwise required to be transferred and paid therein during the next succeeding month. If in any fiscal year a surplus shall be accumulated in the Operation and Maintenance Fund over and above the amount which shall be necessary to meet the requirements thereof during the remainder of the then current fiscal year and the next ensuing fiscal year, such surplus may be transferred to the Revenue Fund.

(c) After making the payment required above, there shall next be transferred and paid from the Revenue Fund, pro rata, into the bond funds (and debt service reserves therein) being maintained in connection with any additional parity bonds (the "Parity Bond Funds") and into a special fund, created by the Authorizing Ordinance and designated "2019 Water and Sewer Revenue Bond Fund" (the "Bond Fund") in the Trustee, the sums in the amounts and at the times set forth below.

There shall be paid into the Parity Bond Funds the required monthly deposits pursuant to the ordinances authorizing any additional parity bonds.

There shall be paid into the Bond Fund until all outstanding Bonds, with interest thereon, shall have been made in full or provision made for such payment, on the first business day of each month commencing January 2020 a sum equal to 1/6 of the next installment of interest due on the Bonds and 1/12 of the next installment of principal due on the Bonds during the next twelve-months (either at maturity or in accordance with any mandatory redemption provisions); provided, however, the monthly deposits into the Bond Fund due through September 2020 representing principal of the Bonds shall be increased to 1/9 of the principal on the Bonds due October 1, 2020 and the monthly deposits into the Bond Fund through March 2020 representing interest on the Bonds shall be increased to 1/3 of the interest on the Bonds due April 1, 2020.

If the revenues of the System are insufficient to make the required payment on the first business day of any month into the Bond Fund, the amount of any such deficiency in the payment made shall be added to the amount otherwise required to be paid into the Bond Fund on the first business day of the next month.

There shall be established and maintained, as a part of the Bond Fund, a "Debt Service Reserve Account." There shall be deposited into the Debt Service Reserve Account by the Trustee the Reserve Policy issued by the Reserve Insurer, which shall be in an amount equal to one-half (1/2) of the maximum annual principal and interest requirements on the Bonds.

If for any reason there shall be a deficiency in the payments made into the Bond Fund so that there are unavailable sufficient moneys therein to pay the principal of and interest on the Bonds as the same become due, any amount received from the Reserve Policy in the Debt Service Reserve Account shall be used to the extent necessary to pay such principal and interest. The City shall reimburse the Reserve Insurer for all amounts drawn under the Reserve Policy.

If a surplus shall exist in the Bond Fund over and above the amount required for making all principal and interest payments during the next succeeding twelve-month period, and reimbursing the Reserve Insurer for all amounts drawn under the Reserve Policy, such surplus (1) shall be applied at the direction of the City to the payment of the principal of and interest on Bonds that may be called for redemption prior to maturity or (2) shall be paid to the City and deposited into the Revenue Fund. Otherwise moneys in the Bond Fund shall be used solely for the payment of principal and interest on the Bonds and Trustee's fees.

(d) After making the payments set forth above, there shall be transferred from the Revenue Fund into a special fund designated the "Water and Sewer Depreciation Fund" to be held by a depository selected by the City that is a member of the FDIC (the "Depreciation Fund"), on the first business day of each month, two percent (2%) of gross revenues of the System for the preceding month. The moneys in the Depreciation Fund shall be used solely for the purpose of paying the cost of replacements made necessary by the depreciation of the System or for the purpose of paying the costs of damage caused by unforeseen catastrophes.

If in any fiscal year a surplus shall be accumulated in the Depreciation Fund over and above the amount which shall be necessary to defray the cost of the probable replacements during the then current fiscal year and next ensuing fiscal year, such surplus may be deposited into the Revenue Fund.

(e) There shall next be paid from the Revenue Fund any arbitrage rebate due under Section 148(f) of the Code at the times required by Section 148(f) of the Code.

(f) Any surplus in the Revenue Fund, after making all required disbursements and making full provision for the funds herein described, shall be used for the payment of amounts owed under the Reserve Policy and any surety bonds and debt service reserve insurance policies for the System Bonds and any amounts owed the Insurer and insurers of the System Bonds, and may be used, at the option of the City, for the redemption of Bonds or additional bonds prior to maturity in accordance with their respective redemption provisions; for constructing extensions, betterments and improvements to the System; or for any other lawful municipal purpose.

Additional Parity Bonds. So long as any of the Bonds are outstanding, the City shall not issue or attempt to issue any bonds claimed to be entitled to a priority of pledge on Revenues over the pledge securing the Bonds.

The City may issue additional bonds ranking on a parity with the Bonds if, but only if: (1) there shall have been filed with the Trustee a statement by an Accountant reciting, based upon necessary investigation, that Net Revenues (as defined under **THE AUTHORIZING ORDINANCE, Rates and General Covenants to Operate**) for the fiscal year immediately preceding the fiscal year in which it is proposed to issue such additional bonds shall equal not less than 110% of the maximum annual principal and interest requirements on the then outstanding System Bonds and the additional bonds then proposed to be issued; or (2) there shall have been filed with the Trustee a statement by an Accountant reciting, based upon necessary investigation, that Net Revenues for the next ensuing fiscal year, including the Net Revenues to be derived from any extensions, betterments and improvements to be constructed out of the proceeds of the additional bonds then proposed to be issued, as reflected by a certificate of a duly qualified consulting engineer not in the regular employ of the City, and taking into consideration any rate increase adopted before issuance of the additional bonds, shall be equal to not less than 110% of the maximum annual principal and interest requirements on the then outstanding System Bonds and the additional bonds then proposed to be issued. In making the computation set forth in clause (1) above, the City and the Accountant may treat any increase in rates for the System enacted subsequent to the first day of such preceding fiscal year as having been in effect throughout such fiscal year and may include in Net Revenues for such fiscal year the amount that would have been received had the increase been in effect throughout such fiscal year.

Accounts and Records. The City will keep proper books of accounts and records (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the operation of the System, and such books shall be available for inspection by the registered owner of any of the Bonds at reasonable times and under reasonable circumstances. The City agrees to have these records audited by an Accountant at least once each year, and a copy of the audit shall be delivered to the Trustee and made available to registered owners requesting the same in writing. In the event that the City fails or refuses to make the audit, the Trustee or any registered owner of the Bonds may have the audit made, and the cost thereof shall be charged against the Operation and Maintenance Fund.

Maintenance; Insurance. The City covenants and agrees that it will maintain the System in good condition and operate the same in an efficient manner and at reasonable cost. While any of the Bonds are outstanding, the City agrees that, to the extent comparable protection is not otherwise provided to the satisfaction of the Trustee, it will insure and at all times keep insured, in the amount of the full insurable value thereof, in a responsible insurance company or companies authorized and qualified under the laws of the State to assume the risk thereof, properties of the System, to the extent that such properties would be covered by insurance by private companies engaged in similar types of businesses, against loss or damage thereto from fire, lightning, tornados, winds, riot, strike, civil commotion, malicious damage, explosion, extended coverage and against any other loss or damage from any other causes customarily insured against by private companies engaged in similar types of business. The insurance policies are to carry a clause making them payable to the Trustee as its interest may appear, and satisfactory evidence of said insurance shall be filed with the Trustee. In the event of loss, the proceeds of such insurance shall be applied solely toward the reconstruction, replacement or repair of the System, and in such event the City will, with reasonable promptness, cause to be commenced and completed the reconstruction, replacement and repair work. If such proceeds are more than sufficient for such purposes, the balance remaining shall be deposited to the credit of the Revenue Fund and if such proceeds shall be insufficient for such purposes the deficiency shall be supplied first from moneys in the Depreciation Fund, and second from moneys in the Operation and Maintenance Fund and third from surplus moneys in the Revenue Fund. Nothing shall be construed as requiring the City to expend any moneys for operation and maintenance of the System or for premiums on its insurance which are derived from sources other than the operation of the System, but nothing shall be construed as preventing the City from doing so.

Defeasance. Any Bond shall be deemed to be paid within the meaning of the Authorizing Ordinance when payment of the principal of and interest on such Bond (whether at maturity or upon redemption, or otherwise), either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (1) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America ("Government Securities") and/or (2) cash sufficient to make such payment (provided that such deposit will not affect the tax-exempt status of the interest on any of the Series 2019A Bonds or cause any of the Series 2019A Bonds to be classified as "arbitrage bonds" within the meaning of Section 148 of the Code), such Government Securities maturing as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees, compensation and expenses of the Trustee shall have been paid or the payment thereof provided for to the satisfaction of the Trustee.

On the payment of any Bonds within the meaning of the Authorizing Ordinance, the Trustee shall hold in trust, for the benefit of the owners of such Bonds, all such moneys and/or Government Securities.

When all the Bonds shall have been paid within the meaning of the Authorizing Ordinance, if any arbitrage rebate due the United States Treasury under Section 148(f) of the Code has been paid or provided for to the satisfaction of the Trustee, and if the Trustee has been paid its fees and expenses, and if there are not amounts due the Insurer with respect to the Reserve Policy and the Insurance Policy, the Trustee will take all appropriate action to cause (i) the pledge and lien of the Authorizing Ordinance to be discharged and canceled, and (ii) all moneys held by it pursuant to the Authorizing Ordinance and which are not required for the payment of such Bonds to be paid over or delivered to or at the direction of the City. In determining the sufficiency of the deposit of Government Securities there will be considered the principal amount of such Government Securities and interest to be earned thereon until the maturity of such Government Securities.

Default and Remedies. (a) Subject to the provisions of subparagraph (e) below, if there be any default in the payment of the principal of or interest on any of the Bonds, if the City defaults in any Bond Fund requirements or in the performance of any of the other covenants contained in the Authorizing Ordinance, or if the City declares bankruptcy, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the owners of not less than ten percent

(10%) in principal amount of the Bonds then outstanding shall, by proper suit, compel the performance of the duties of the officials of the City under the laws of Arkansas. And, in the case of a default in the payment of the principal of and interest on any of the Bonds, the Trustee may, and upon the written request of (1) the Insurer or (2) with the consent of the Insurer, the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall, apply in a proper action to a court of competent jurisdiction for the appointment of a receiver to administer the System on behalf of the City and the owners of the Bonds, with power to charge and collect (or by mandatory injunction or otherwise to cause to be charged and collected) rates sufficient to provide for the payment of the expenses of operation, maintenance and repair and to pay any Bonds and interest outstanding and to apply the revenues in conformity with the laws of Arkansas and with the Authorizing Ordinance. When all defaults in principal and interest payments have been cured, the custody and operation of the System shall revert to the City.

(b) No owner of any of the outstanding Bonds shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Authorizing Ordinance or under the laws of the State unless (1) such owner or the Trustee shall have given written notice of such default to the Insurer and (2) such owner previously shall have given to the Trustee written notice of the default on account of which such suit, action or proceeding is to be taken, and unless the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding shall have made written request of the Trustee after the right to exercise such power or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted to the Trustee, or to institute such action, suit or proceeding in its name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the execution of any remedy. No one or more owners of the Bonds shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Authorizing Ordinance or to enforce any right thereunder except in the manner herein described. All proceedings at law or in equity shall be instituted, had and maintained in the manner herein described and for the benefit of all owners of the outstanding Bonds.

(c) No remedy conferred upon or reserved to the Trustee, the Insurer, or the owners of the Bonds is intended to be exclusive of any other remedy or remedies, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Authorizing Ordinance or by law.

(d) The Trustee may, and upon the request of the owners of not less than fifty percent (50%) in principal amount of the Bonds then outstanding shall, waive any default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted under the provisions of the Authorizing Ordinance or before the completion of the enforcement of any other remedy, but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

(e) Notwithstanding the above, the Insurer shall be deemed to be the sole holder of the Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the Bonds are entitled to take pursuant to the Authorizing Ordinance.

Amendment of Authorizing Ordinance. (a) The Authorizing Ordinance provides that it shall constitute a binding contract between the City and the owners of the outstanding Bonds and that the City will at all times strictly adhere to the terms and provisions thereof and fully discharge all of its obligations thereunder. No variation or change in the undertaking set forth in the Authorizing Ordinance shall be made while any of the Bonds are outstanding, except as hereinafter set forth in subsections (b) and (c).

(b) The Trustee may consent to any variation or change in the Authorizing Ordinance without the consent of the owners of the outstanding Bonds (1) in order to cure any ambiguity or correct any defect therein as the City may deem necessary or desirable and not inconsistent therewith or (2) with the prior written consent of the Insurer, in order to make any other variation or change which the Trustee determines shall not materially adversely affect the interests of the owners of the Bonds.

(c) The Insurer and owners of not less than 75% in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained in the Authorizing Ordinance to the contrary notwithstanding, to consent to and approve the adoption by the City of such ordinance supplemental hereto as shall be necessary or desirable for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Authorizing Ordinance or in any supplemental ordinance; provided, however, that nothing contained herein shall permit or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Bond, or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or (iii) the creation of a lien or pledge superior to the lien and pledge created by the Authorizing Ordinance, or (iv) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (v) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental ordinance.

The Trustee. The Trustee shall only be responsible for the exercise of good faith and reasonable prudence in the execution of its trust. The Trustee shall not be required to take any action as Trustee unless it shall have been requested to do so in writing by the Insurer or by the owners of not less than ten percent (10%) in principal amount of the Bonds then outstanding and shall have been offered reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby. The Trustee may resign at any time by thirty (30) days' notice in writing to the City Clerk, the Insurer and the owners of the Bonds. The Insurer, the majority in principal amount of the owners of the outstanding Bonds, or the City, at any time, with or without cause, may remove the Trustee. In the event of a vacancy in the office of Trustee, either by resignation or by removal, the City shall appoint a new Trustee, such appointment to be evidenced by a written instrument or instruments filed with the City Clerk and with the Insurer. The original Trustee and any successor Trustee shall execute a written acceptance of the trusts imposed upon it or them but only upon the terms and conditions set forth in the Authorizing Ordinance and subject to the provisions of the Authorizing Ordinance, to all of which the respective owners of the Bonds agree. Any successor Trustee shall have all the powers granted to the original Trustee. No resignation or removal of the Trustee shall become effective until a successor, acceptable to the Insurer, has been appointed and has accepted the duties of Trustee under the Authorizing Ordinance.

Investments. (a) Moneys held for the credit of the Bond Fund shall be continuously invested and reinvested pursuant to the direction of the City (or at the discretion of the Trustee in the absence of direction by the City) in Permitted Investments defined in (d) below, all of which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder not later than the payment date for interest or principal and interest on the bonds.

(b) Moneys held for the credit of any other fund established by or identified in the Authorizing Ordinance may be invested and reinvested by or pursuant to the direction of the City in Permitted Investments as defined in (d) below or other investments permitted by Arkansas law, which shall mature, or which shall be subject to redemption by the holder thereof, at the option of such holder, not later than the date or dates the moneys held for the credit of the particular fund will be required for purposes intended.

(c) Obligations so purchased as an investment of moneys in any fund shall be deemed at all times to be a part of such fund and the interest accruing thereon and any profit realized from such investments shall be credited to such fund, and any loss resulting from such investment shall be charged to such fund.

(d) "Permitted Investments" are defined to mean as (i) direct or fully guaranteed obligations of the United States of America ("Government Securities"), (ii) direct obligations of an agency, instrumentality or government-sponsored enterprise created by an act of the United States Congress and authorized to issue securities or evidences of indebtedness, regardless of whether the securities or evidences of indebtedness are guaranteed for repayment by the United States Government, (iii) certificates of deposit or demand deposits of banks, including the Trustee, which are insured by the FDIC or, if in excess of insurance coverage, collateralized by Government Securities or other securities authorized by Arkansas law to secure public funds or (iv) money market funds invested exclusively in Government Securities and the obligations described in (ii) above.

CONTINUING DISCLOSURE AGREEMENT

In the past five years, the City has been a party to certain continuing disclosure agreements in connection with its outstanding bonds. Such agreements require the City to file annual reports with the Municipal Securities Rulemaking Board on its Electronic Municipal Market Access system ("EMMA") within the time periods set forth in the agreements. The following summarizes a non-exhaustive discussion of the City's compliance with its continuing disclosure obligations over the past five years.

As part of its annual reports, the City has been obligated to file on EMMA certain statistical information concerning the System in connection with its outstanding water and sewer revenue bonds. The statistical information for the years ended December 31, 2015 through 2018 were filed in a timely manner. The statistical information for the year ended December 31, 2014 was filed 26 days late. In addition, the statistical information for the years ended December 31, 2014 and 2015 did not include all necessary information required by the continuing disclosure agreements. Specifically, the annual report in those years failed to include statements as to which users, if any, accounted for 5% or more of the System's revenues. A notice concerning such failures was not filed on EMMA.

Also as part of its annual reports, the City has been obligated to file on EMMA audited financial statements of the System. If the audited financial statements were not available at the time the annual report was due, the City was obligated to file such audited financial statements within 30 days after becoming available. The audited financial statements of the System for the years ended December 31, 2015 and 2016 were timely filed. The audited financial statements of the System for the years ended December 31, 2014, 2017 and 2018 were filed late by 24 days, 18 days and 86 days, respectively. A notice concerning such failures was not filed on EMMA.

The continuing disclosure agreements also obligated the City to file a notice of the occurrence of any event listed in Securities and Exchange Commission Rule 15c2-12(b)(5). During the past five years, the City has timely filed notices of the occurrence of all listed events.

Set forth below is a summary of certain portions of the Continuing Disclosure Agreement. This summary does not purport to be comprehensive and reference is made to the full text of the Continuing Disclosure Agreement for a complete description of its provisions.

Purpose of the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is executed and delivered by the City and the Trustee for the benefit of the Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Securities and Exchange Commission, Rule 15c2-12(b)(5).

Definitions. In addition to the definitions set forth in this Official Statement, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, the Continuing Disclosure Agreement.

"Beneficial Owner" of a Bond shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the Trustee, acting in its capacity as Dissemination Agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

"Financial Obligation" shall mean a

- (A) debt obligation;
- (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or
- (C) guarantee of obligations described in (A) or (B).

The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed hereunder.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Provision of Annual Report. (a) The City shall, or cause the Dissemination Agent to, not later than one hundred eighty (180) days after the end of the System's fiscal year (presently December 31), commencing with the report after the end of the 2019 fiscal year, provide to the Insurer and the MSRB through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org> or any similar system acceptable to the Securities and Exchange Commission, an Annual Report which is consistent with the requirements of the Continuing Disclosure Agreement. The Annual Report shall be in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in the Continuing Disclosure Agreement; provided that the audited financial statements of the System may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date, but, in such event, such audited financial statements shall be submitted within thirty (30) days after receipt thereof by the City. If the System's fiscal year changes, it shall give notice of such change in the manner as for a Listed Event.

(b) No later than five (5) days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report (containing the information required in 1 under Content of Annual Report, below) has been provided to the MSRB by the date required in subsection (a), the Trustee shall send a notice to the MSRB and the Insurer.

Content of Annual Report. The City's Annual Report shall contain or incorporate by reference the following:

1. Information of the type set forth in this Official Statement under the caption **THE SYSTEM** with respect to (i) the number of water and sewer users by category for the fiscal year then ended, (ii) the top five (5) users of the System for the previous fiscal year; and (iii) a statement as to which users, if any, accounted for 5% or more of System revenues for the preceding fiscal year.

2. The annual financial statements of the System prepared using accounting principles generally accepted in the United States of America, which shall be audited in accordance with auditing standards generally accepted in the United States of America.

Any or all of the items above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB's website or filed with the Securities and Exchange Commission. The City shall clearly identify each such other document so incorporated by reference.

Reporting of Listed Events. (a) This caption describes the giving of notices of the occurrence of any of the following events:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security.
7. Modifications to rights of security holders, if material.
8. Bond calls (excluding mandatory sinking fund redemptions), if material.
9. Defeasances and tender offers.
10. Release, substitution, or sale of property securing repayment of the securities, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of the obligated person.
13. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the

obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) After the occurrence of a Listed Event (excluding an event described in (a)8 above), the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence.

(c) After the occurrence of any of the Listed Events (excluding an event described in (a)8 above), the City shall file (or shall cause the Dissemination Agent to file), in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event, a notice of such occurrence with the MSRB through its continuing disclosure service portal provided through EMMA at <http://www.emma.msrb.org>, or any other similar system that is acceptable to the Securities and Exchange Commission, with a copy to the Trustee (if the Trustee is not the Dissemination Agent) and the Insurer. Each notice of the occurrence of a Listed Event shall be filed in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB. In the event of a Listed Event described in (a)8 above, the Trustee shall make the filing in a timely manner not in excess of ten (10) business days after the occurrence of such Listed Event.

Termination of Reporting Obligation. The City's obligations under the Continuing Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

Amendment; Waiver. Notwithstanding any other provision of the Continuing Disclosure Agreement, the City and the Trustee may amend the Continuing Disclosure Agreement, and any provisions of the Continuing Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the requirements for providing an Annual Report, to the contents of the Annual Report or the reporting of Listed Events, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Beneficial Owners of the Bonds in the same manner as provided in the Authorizing Ordinance for amendments to the Authorizing Ordinance with the consent of Beneficial Owners, or (ii) does not, in the opinion of the Trustee, materially impair the interests of the Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Continuing Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing in the Continuing Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in the Continuing Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by the Continuing Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Continuing Disclosure Agreement, the City shall have no obligation under the Continuing Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Default. In the event of a failure of the City or the Trustee to comply with any provision of the Continuing Disclosure Agreement, the Trustee, the Insurer, the City or any Beneficial Owner may (and the Trustee, at the request of the Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of outstanding Bonds, shall) take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under the Continuing Disclosure Agreement. A default under the Continuing Disclosure Agreement shall not be deemed a default under the Authorizing Ordinance, and the sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City or the Trustee to comply with the Continuing Disclosure Agreement shall be an action to compel performance.

Duties of Trustee and Dissemination Agent and Right of Indemnity. The Dissemination Agent (if other than the Trustee) and the Trustee in its capacity as Dissemination Agent shall have only such duties as are specifically set forth in the Continuing Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or the Trustee's gross negligence or willful misconduct.

Beneficiaries. The Continuing Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Insurer, the Underwriter and the Beneficial Owners and shall create no rights in any other person or entity.

FINANCIAL INFORMATION

Set forth in Exhibit A to this Official Statement are the audited financial statements for the System for the fiscal year ended December 31, 2018. Such financial statements were prepared in accordance with accounting principles generally accepted in the United States of America and were audited in accordance with auditing standards generally accepted in the United States of America. These financial statements should be read in their entirety, together with any notes and supplemental information affixed thereto.

Set forth below is a Summary Statement of System Revenues and Expenses for the preceding five fiscal years.

Summary Statement of System Revenues and Expenses

	<u>Fiscal Year Ended December 31</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenues	\$8,537,881	\$8,251,711	\$8,837,883	\$8,574,039	\$8,267,582
Operating Expenses (Before Depreciation)	(6,169,476)	(6,992,612)	(6,626,583)	(6,158,668)	(6,102,792)
Net Operating Income (Before Depreciation)	2,368,405	1,259,099	2,211,300	2,415,371	2,164,790
Depreciation and Amortization	(3,003,481)	(2,944,223)	(2,821,747)	(2,716,230)	(2,658,565)
Net Operating Income (Loss)	(635,076)	(1,685,124)	(610,447)	(300,859)	(493,775)
Non-Operating Revenue (Expense)	(391,314)	(421,751)	(450,850)	(335,879)	(482,797)
Net Income (Loss)	(\$1,026,390)	(\$2,106,575)	(\$1,061,297)	(\$636,738)	(\$976,572)

DEBT SERVICE COVERAGE

The following table shows the estimated net revenues of the System available for debt service on the Bonds, the amount of maximum annual debt service expected to be due while the Bonds are outstanding, and the extent to which debt service is estimated to be covered by such funds:

System Revenues ⁽¹⁾	\$8,537,881
Less: Operating Expenses ⁽²⁾	6,169,476
Funds Available for Debt Service ^(A)	2,368,405
Maximum Annual Debt Service Requirements on the Bonds ^(B)	1,016,697
Debt Service Coverage ^(A/B)	2.33x

⁽¹⁾ System revenues are based on the audited financial statements of the System for the fiscal year ended December 31, 2018; includes operating revenues plus interest income.

⁽²⁾ Total expenses before depreciation, interest and bond amortization expenses. Based on the audited financial statements of the System for the fiscal year ended December 31, 2018.

DEBT SERVICE REQUIREMENTS

Set forth below are the debt service requirements for the Bonds for each year:

Year	Series 2019A Principal	Series 2019A Interest	Series 2019B Principal	Series 2019B Interest	Total Debt Service
2020	\$ 210,000	\$ 97,607.75	\$ 350,000	\$107,094.80	\$ 764,702.55
2021	305,000	121,943.76	450,000	133,533.50	1,010,477.26
2022	320,000	112,793.76	460,000	123,903.50	1,016,697.26
2023	330,000	103,193.76	470,000	113,277.50	1,016,471.26
2024	335,000	93,293.76	480,000	102,420.50	1,010,714.26
2025	345,000	83,243.76	490,000	90,708.50	1,008,952.26
2026	355,000	72,893.76	505,000	78,262.50	1,011,156.26
2027	365,000	62,243.76	520,000	64,476.00	1,011,719.76
2028	375,000	54,031.26	535,000	49,500.00	1,013,531.26
2029	385,000	45,593.76	550,000	33,450.00	1,014,043.76
2030	390,000	36,450.00	565,000	16,950.00	1,008,400.00
2031	405,000	24,750.00			429,750.00
2032	420,000	12,600.00			432,600.00
TOTALS	\$4,540,000	\$920,639.09	\$5,375,000	\$913,576.80	\$11,749,215.89

LEGAL MATTERS

Legal Proceedings. There is no litigation pending seeking to restrain or enjoin the issuance or delivery of the Bonds, or questioning or affecting the legality of the Bonds or the proceedings and authority under which the Bonds are to be issued, or questioning the right of the City to adopt the Authorizing Ordinance or to issue the Bonds.

Legal Opinions. Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving opinion of Friday, Eldredge & Clark, LLP, Little Rock, Arkansas, Bond Counsel.

TAX MATTERS

State Taxation. In the opinion of Friday, Eldredge & Clark, LLP, Bond Counsel, under existing law the interest on the Bonds is exempt from all Arkansas state, county and municipal taxes.

Series 2019A Bonds. In the opinion of Bond Counsel, interest on the Series 2019A Bonds under existing law is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2019A Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. These requirements generally relate to arbitrage, the use of the proceeds of the Series 2019A Bonds and the Improvements. Failure to comply with certain of such requirements could cause the interest on the Series 2019A Bonds to be so included in gross income retroactive to the date of issuance of the Series 2019A Bonds. The City has covenanted to comply with all such requirements in the Authorizing Ordinance.

Prospective purchasers of the Series 2019A Bonds should be aware that (i) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2019A Bonds, (ii) interest on the Series 2019A Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code, (iii) passive investment income including interest on the Series 2019A Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income and (iv) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account in determining gross income, receipts or accruals of interest on the Series 2019A Bonds.

The City has designated the Series 2019A Bonds as "qualified tax-exempt obligations" and has covenanted not to use the improvements refinanced by the Series 2019A Bonds and the proceeds of the Series 2019A Bonds in a manner which would cause the Series 2019A Bonds to be "private activity bonds," within the meaning of the Code, and has represented that the City and its subordinate entities have not and do not expect to issue more than \$10,000,000 of such tax-exempt obligations (other than private-activity bonds (excluding from that term "qualified 501(c)(3) bonds" under Section 145 of the Code)) during calendar year 2019.

Prospective purchasers of the Series 2019A Bonds should also be aware that Section 17 of Act 785 of the Acts of Arkansas of 1993 added new subsections (b) and (c) to Section 26-51-431 of the Arkansas Code of 1987 Annotated. Subsection (b) states that Section 265(a) of the Internal Revenue Code is adopted for the purpose of computing Arkansas corporation income tax liability. Subsection (c) provides that in computing Arkansas corporation income tax liability, no deduction shall be allowed for interest "on indebtedness incurred or continued to purchase or carry obligations the interest on which is wholly exempt from the taxes imposed by Arkansas law." On December 8,

1993, the Arkansas Department of Finance and Administration Revenue Division issued Revenue Policy Statement 1993-2, which provides in part:

Financial institutions may continue to deduct interest on indebtedness incurred or continued to purchase or carry obligations which generate tax-exempt income to the same extent that the interest was deductible prior to the adoption of Section 17 of Act 785 of 1993.

As shown on the inside front cover of this Official Statement, certain of the Series 2019A Bonds are being sold at an Original Issue Discount (collectively, the "Discount Bonds"). The difference between the initial public offering prices, as set forth on the inside front cover, of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated as interest which is excluded from gross income for federal income tax purposes, as described above.

The amount of original issue discount which is treated as having accrued with respect to such Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption, or payment at maturity). Amounts received upon disposition of such Discount Bond which are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to the product of (i) the yield of maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of the Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

As shown on the inside front cover of this Official Statement, certain of the Series 2019A Bonds are being sold at a premium (collectively, the "Premium Bonds"). An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. An initial purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2019A Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent holders of the Series 2019A Bonds from realizing the full current benefit of the tax status of such interest. On December 20, 2017, Congress passed The Tax Cuts and Jobs Act (the "Tax Legislation"), which, for tax years beginning after December 31, 2017, among other things, significantly changes the income tax rates for individuals and corporations, modifies the current provisions relative to the federal alternative minimum tax on individuals and eliminates the federal alternative minimum tax for corporations. The President signed the Tax Legislation on December 22, 2017. The Tax Legislation or the introduction or enactment of any other legislative proposals or clarification of the Code or court decisions may affect, perhaps significantly, the market price for, or marketability of, the Series 2019A Bonds. Prospective purchasers of the Series 2019A Bonds should consult their own tax advisors regarding any proposed or enacted federal or state tax legislation (including particularly, without limitation, the Tax Legislation), regulations or litigation, as to which Bond Counsel expresses no opinion.

It is not an event of default on the Series 2019A Bonds if legislation is enacted reducing or eliminating the exclusion of interest on state and local government bonds from gross income for federal or state income tax purposes.

Series 2019B Bonds. In the opinion of Bond Counsel, interest on the Series 2019B Bonds under existing law is not excludable from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the Series 2019B Bonds. Prospective purchasers should consult their own tax advisor in determining the federal tax consequences to them of the purchase, holding and disposition of the Series 2019B Bonds.

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2019B Bonds under the Code, regulations and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. This summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws. This summary does not address owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold the Series 2019B Bonds (or foreign currency) as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprised of a Series 2019B Bond and one or more other investments, or purchasers that have a "functional currency" other than the U.S. dollar. Except to the extent discussed below under "Foreign Investors," this summary is not applicable to non-United States persons not subject to federal income tax on their worldwide income. This summary does not discuss the tax laws of any state other than Arkansas or any local or foreign governments. Potential purchasers of the Series 2019B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2019B Bonds.

General. Although there are not any regulations, published rulings, or judicial decisions involving the characterization for federal income tax purposes of securities with terms substantially the same as the Series 2019B Bonds, Bond Counsel has advised that the Series 2019B Bonds will be treated for federal income tax purposes as evidences of indebtedness of the City and not as an ownership interest in the trust estate securing the Series 2019B Bonds or as an equity interest in the City or any other party, or in a separate association taxable as a corporation. Although the Series 2019B Bonds are issued by the City, interest on the Series 2019B Bonds (including original issue discount and market discount, if any) is not excludable from gross income for federal income tax purposes under Code Section 103. Interest on the Series 2019B Bonds will be fully subject to federal income taxation. Thus, owners of the Series 2019B Bonds generally must include interest (including

original issue discount and market discount) on the Series 2019B Bonds in gross income for federal income tax purposes.

In general, interest paid on the Series 2019B Bonds, original issue discount and market discount, if any, will be treated as ordinary income to the owners of the Series 2019B Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount and market discount) will be treated as a return of capital.

Sales or Other Dispositions. If a Series 2019B Bond is sold, redeemed prior to maturity or otherwise disposed of in a taxable transaction, gain or loss will be recognized in an amount equal to the difference between the amount realized on the sale or other disposition, and the adjusted basis of the transferor in the Series 2019B Bond. The adjusted basis of a Series 2019B Bond generally will be equal to its costs, increased by any original issue discount or market discount included in the gross income of the transferor with respect to the Series 2019B Bond and reduced by any amortized bond premium under Section 171 of the Code and by the payments on the Series 2019B Bond (other than payments of qualified stated interest), if any, that have previously been received by the transferor. Except as provided in Section 582(c) of the Code, relating to certain financial institutions, or as discussed in the following paragraph, any such gain or loss will be a capital gain or loss taxable at the applicable rate determined by the Code if the Series 2019B Bond to which it is attributable is held as a "capital asset."

Gain on the sale or other disposition of a Series 2019B Bond that was acquired at a market discount will be taxable as ordinary income in an amount not exceeding the portion of such discount that accrued during the period that the Series 2019B Bond was held by the transferor (after reduction by any market discount includable in income by such transferor in accordance with the rules described above under "Market Discount"). In addition, if the City is determined (pursuant to regulations that have yet to be promulgated under Code Section 1271(g)(2)(A)) to have had an intention on the date of original issuance of the Series 2019B Bonds to call all or a portion of the Series 2019B Bonds prior to maturity, then gain on the sale or other disposition of a Series 2019B Bond in an amount equal to the original issue discount or market discount not previously includable in gross income would be required to be treated as ordinary income taxable at the applicable rate determined by the Code.

Backup Withholding. Payments of principal and interest (including original issue discount and market discount) on the Series 2019B Bonds, as well as payments of proceeds from the sale of the Series 2019B Bonds may be subject to the "backup withholding tax" under Section 3406 of the Code with respect to interest or original issue discount and market discount on the Series 2019B Bonds if recipients of such payments (other than foreign investors who have properly provided certifications described below) fail to furnish to the payor certain information, including their taxpayer identification numbers, or otherwise fail to establish an exemption from such tax. Any amounts deducted and withheld from a payment to a recipient would be allowed as a credit against the federal income tax of such recipient.

Foreign Investors. An owner of a Series 2019B Bond that is not a "United States person" (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Series 2019B Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Series 2019B Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term "United States person" means a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States is includable in gross income for United States of America

income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a United States withholding tax will apply to interest paid and original issue discount and market discount on the Series 2019B Bonds owned by foreign investors. In those instances in which payments of interest on the Series 2019B Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or exchange of the Series 2019B Bonds having original issue discount or market discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Series 2019B Bond.

ERISA Considerations. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA (an "ERISA Plan") and persons who, with respect to that plan, are fiduciaries or other "parties in interest" within the meaning of ERISA or "disqualified persons" within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of a Series 2019B Bond, could be viewed as violating those prohibitions. In addition, Code Section 4975 prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons and Code Section 503 includes similar restrictions with respect to governmental and church plans. In this regard, the City or any underwriter of the Series 2019B Bonds, might be considered or might become a "party in interest" within the meaning of ERISA or a "disqualified person" within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Code Sections 4975 or 503. Prohibited transactions within the meaning of ERISA and the Code may arise if the Series 2019B Bonds are acquired by such plans or arrangements with respect to which the City or any underwriter is a party in interest or disqualified person. In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above Code Sections, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Series 2019B Bonds.

MISCELLANEOUS

Enforceability of Remedies. Rights of the registered owners of the Bonds and the enforceability of the remedies available under the Authorizing Ordinance may depend on judicial action and may be subject to the valid exercise of the constitutional powers of the United States of America and of the sovereign police powers of the State or other governmental units having jurisdiction, and to the application of federal bankruptcy laws or other debtor relief or moratorium laws in general. Therefore, enforcement of those remedies may be delayed or limited, or the remedies may be modified or unavailable, subject to the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel expresses no opinion as to any effect upon any right, title, interest or relationship created by or arising under the Authorizing Ordinance resulting from the application of state or federal bankruptcy, insolvency, reorganization, moratorium or similar debtor relief laws affecting creditors' rights which are presently or may from time to time be in effect.

Rating. S&P Global Ratings ("S&P") has assigned a rating of "AA/Stable" to the Bonds with the understanding that upon delivery of the Bonds, the Insurance Policy will be issued by the Insurer. Such rating reflects only the views of S&P at the time such rating was given. An explanation of the significance of the rating may be obtained from S&P. There is no assurance that such rating will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by S&P, if in its judgment circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

Neither the City nor the Underwriter has undertaken any responsibility subsequent to the issuance of the Bonds to assure the maintenance of the rating or to oppose any revision or withdrawal of the rating. No application has been made to any rating agency other than S&P for a rating on the Bonds.

Underwriting. Crews & Associates, Inc., the Underwriter, has agreed, subject to certain conditions precedent, to purchase the Bonds from the City at the following purchase price of \$4,609,403.05 (principal amount plus net original issue premium of \$114,803.05 and less underwriter's discount of \$45,400 or 1% of par) for the Series 2019A Bonds and \$5,316,679.50 (principal amount less original issue discount of \$4,570.50 and less underwriter's discount of \$53,750 or 1% of par) for the Series 2019B Bonds. The Underwriter is committed to purchase all of the Bonds if any are purchased.

The Bonds are being purchased by the Underwriter for reoffering in the normal course of the Underwriter's business activities. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment accounts) and others at prices lower than the offering price stated on the cover page hereof. After the initial public offering, the public offering price may be changed from time to time by the Underwriter.

Information in the Official Statement. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or owners of any of the Bonds.

The information contained in this Official Statement has been taken from sources considered to be reliable, but is not guaranteed. To the best of the knowledge of the undersigned the Official Statement does not include any untrue statement of a material fact, nor does it omit the statement of any material fact required to be stated therein, or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The execution and delivery of this Official Statement on behalf of the City has been authorized by the City.

CITY OF EL DORADO, ARKANSAS

By /s/ Veronica Smith-Creer
Mayor

Dated: As of the Cover Page hereof.

EXHIBIT A

Audited Financial Statements of the Water and Sewer System for the
Fiscal Year Ended December 31, 2018

Financial Statements and Supplemental Information

**El Dorado Water Utilities
An Enterprise Fund of the City of El Dorado, Arkansas**

For the Year Ended December 31, 2018
(with Independent Auditor's Reports thereon)



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To Veronica Smith-Creer, Mayor, and Members of City Council
City of El Dorado, Arkansas
El Dorado, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of **El Dorado Water Utilities** (the Utility), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utility as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the pension schedules on pages 19 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the El Dorado Water Utility's basic financial statements. The combining and individual fund financial statements and schedules on pages 21 to 30 are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

As disclosed in Note 1(a), these financial statements are intended to present the financial position, results of operations and cash flows attributable to the Utility only. They are not intended to, and do not, present the financial position of the City of El Dorado as a whole as of December 31, 2018, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To Veronica Smith-Creer, Mayor, and Members of City Council
City of El Dorado, Arkansas
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2019, on our consideration of the Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control over financial reporting and compliance.

Landmark PLC
Certified Public Accountants

July 1, 2019
Little Rock, Arkansas

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Management's Discussion and Analysis
For the Year Ended December 31, 2018

Introduction

This management's discussion and analysis of the financial performance of El Dorado Water Utilities (the "Utility") provides an overview of the Utility's financial activities for the year ended December 31, 2018. It should be read in conjunction with the accompanying financial statements of El Dorado Water Utilities.

Financial Highlights

- Total assets and deferred outflows decreased from \$73,353,517 in 2017 to \$71,353,777 in 2018, a decrease of \$1,999,740 (2.7%).
- Assets restricted for long-term purposes increased \$262,542 (9.9%) from \$2,661,814 in 2017 to \$2,924,356 in 2018 while assets designated for long-term purposes decreased \$118,848 (8.5%).
- Capital assets decreased \$2,594,111 (4.0%) from \$64,962,730 in 2017 to \$62,368,619 in 2018 due to capital improvements of \$409,370, net of current year depreciation totaling \$3,003,481.
- The Utility's long-term debt decreased \$779,687 (6.2%) from \$12,583,252 in 2017 to \$11,803,565 in 2018. This amount consisted of \$735,000 of bond payments, net of amortization of discount and premium of \$2,626, and a \$47,313 decrease in compensated balances payable. No additional debt was incurred in 2018.
- The Utility's net pension liability decreased \$787,845 (24.5%) from \$3,212,529 in 2017 to \$2,424,684 in 2018. Deferred outflows of resources and deferred inflows of resources related to the net pension liability decreased (increased) by \$445,385 and (\$397,960), respectively.
- The Utility reported an operating loss of (\$635,076) in 2018 compared to an operating loss of (\$1,685,124) in 2017, which represents a decrease of \$1,050,048 (62.3%) in operating loss. The decrease in operating loss resulted from a \$286,170 (3.5%) increase in operating revenues and a decrease of \$763,878 (7.7%) in operating costs.
- The Utility received capital grants and contributions of \$44,923 in 2018, a decrease of \$1,224,369 (96.4%) over 2017 capital grants and contributions of \$1,269,292.
- Change in Net Position decreased from a loss of (\$837,583) in 2017 to a loss of (\$981,467) in 2018, a decrease of (\$143,884) (17.2%). The decrease resulted primarily from the operating loss and decrease in capital grants and contributions noted above.

Using this Annual Report

The Utility's financial statements consist of three statements – a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These statements provide information about the activities of the Utility, including resources held by the Utility but restricted for specific purposes by creditors, regulators or enabling legislation. The Utility is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any organization's finances is, "Did the organization as a whole end the year better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Utility's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Utility's net position and changes in them. The Utility's total net position – the difference between assets and liabilities – are one measure of the Utility's financial health or financial position. Over time, increases or decreases in the Utility's net position are an indicator of whether its financial health is improving or declining.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Management's Discussion and Analysis
For the Year Ended December 31, 2018

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to questions such as which activity provided cash, which activity used cash and what was the change in cash balances during the reporting period.

Table 1: Assets, Liabilities and Net Position

	2018	2017
Assets		
Cash and cash equivalents	\$ 3,081,712	\$ 1,973,651
Other current assets	1,182,158	1,394,157
Assets restricted for long-term purposes	2,924,356	2,661,814
Assets designated for long-term purposes	1,286,712	1,405,560
Capital assets - net	62,368,619	64,962,730
Total Assets	70,843,557	72,397,912
Deferred Outflows of Resources	510,220	955,605
Total Assets and Deferred Outflows	\$ 71,353,777	\$ 73,353,517
Liabilities		
Long-term liabilities	\$ 13,469,595	\$ 15,048,424
Other current and noncurrent liabilities	1,612,457	1,449,861
Total Liabilities	15,082,052	16,498,285
Deferred Inflows of Resources	462,146	64,186
Net Position		
Net investment in capital assets	50,641,312	52,503,050
Restricted - expendable	2,078,127	1,885,950
Unrestricted	3,090,140	2,402,046
Total Net Position	55,809,579	56,791,046
Total Liabilities, Deferred Inflows and Net Position	\$ 71,353,777	\$ 73,353,517

Net Position

The Utility's net position represents the difference between its assets and liabilities reported in the Statement of Net Position. The majority of the Utility's net position, \$50,641,312 (90.7%), signifies the Utility's investment in capital assets (i.e., land, utility plant, buildings and improvements, machinery and equipment and construction in progress), less any outstanding debt used to acquire those assets. Although the Utility's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources since the capital assets themselves cannot be liquidated to satisfy outstanding debt obligations.

The Utility also had \$2,078,127 (3.7%) of net position which represented restricted resources for debt service and capital projects. The remaining \$3,090,140 (5.5%) of the Utility's net position was unrestricted and may be used to meet ongoing obligations to customers and creditors.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Management's Discussion and Analysis
For the Year Ended December 31, 2018

Operating Results and Changes in Net Position

The Utility's change in net position was (\$981,467) in 2018 compared to (\$837,583) in 2017 a decrease of \$143,884 as shown in Table 2. This decrease was primarily due to a decrease in operating loss of \$1,050,048 offset by a decrease in capital grants and contributions of \$1,224,369.

Table 2: Operating Results and Changes in Net Position

	2018	2017
Operating Revenues		
Water sales	\$ 5,327,974	\$ 5,068,743
Wastewater sales	3,012,783	3,076,820
Other operating revenue	197,124	106,148
Total Operating Revenues	8,537,881	8,251,711
Operating Expenses		
Water operations	3,453,978	3,759,756
Wastewater operations	2,715,498	3,232,856
Depreciation and amortization	3,003,481	2,944,223
Total Operating Expenses	9,172,957	9,936,835
Operating Loss	(635,076)	(1,685,124)
Non-operating Revenues (Expenses)		
Investment income	40,480	21,880
Interest expense	(425,994)	(437,931)
Other expense	(5,800)	(5,700)
Total Non-operating Revenues (Expenses)	(391,314)	(421,751)
Loss before Capital Contributions	(1,026,390)	(2,106,875)
Capital grants and contributions	44,923	1,269,292
Change in Net Position	\$ (981,467)	\$ (837,583)

Operating Income (Loss)

The first component of the overall change in net position is the Utility's operating income – generally, the difference between customer charges and other operating revenues and the expenses incurred to provide those services. As illustrated above, the Utility's operating loss decreased \$1,050,048 (62.3%) from (\$1,685,124) in 2017 to (\$635,076) in 2018. Operating revenues increased \$286,170 (3.5%) due primarily to increased water usage. The decrease in operating expenses of \$763,878 was due to reduced staff and other cost-cutting measures taken by management in 2018.

Non-operating Revenues and Expenses

Non-operating expenses of \$391,314 consisted primarily of interest expense offset by investment income. Investment income increased \$18,600 (85%) due primarily to improved interest rates while interest and related expenses decreased \$11,837 (2.7%).

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Management's Discussion and Analysis
For the Year Ended December 31, 2018

Capital Contributions

In 2018, the Utility received capital contributions of \$44,923 from the Arkansas Highway and Transportation Department to assist with relocation of water mains due to highway improvements.

Cash Flows

Changes in the Utility's cash flows are consistent with changes in operating income and non-operating revenues and expenses, discussed earlier.

Capital Asset and Debt Administration

Capital Assets

At December 31, 2018, the Utility had \$62,368,619 invested in capital assets, net of accumulated depreciation. In 2018, the Utility recorded \$139,117 of water infrastructure improvements and \$270,253 of wastewater infrastructure improvements, for total capital additions of \$409,370. These improvements are part of the Utility's long-term plan to maintain and improve its plant and equipment. Depreciation and amortization expense totaled \$3,003,481 in 2018.

Debt

At December 31, 2018, the Utility had \$11,740,000 in revenue bonds outstanding. The Utility retired \$735,000 in revenue bonds in 2018; no new debt was incurred during the year.

Other Economic Factors

In 2015, the voters of the City of El Dorado passed a temporary 1% general sales tax that is expected to generate \$40 to \$50 million over a ten-year period. The temporary sales tax, known as the El Dorado Works Tax, is administered by the City Council under the guidance of an advisory council. Of the anticipated proceeds, 32% is dedicated to public works such as improvement of streets, water and other projects associated with the improvements of municipal property. The Utility anticipates that proceeds from the temporary sales tax will assist with future improvements to water and wastewater infrastructure. Management annually assesses operating costs and facility upgrade costs and the results of these assessments may result in future rate increases.

Contacting El Dorado Water Utility's Financial Management

This financial report is designed to provide our suppliers, taxpayers, customers and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the El Dorado Water Utilities by telephoning (870) 862-6451.

Financial Statements

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Statement of Net Position
December 31, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets

Cash and cash equivalents	\$ 3,081,712
Receivables	881,052
Inventories	<u>301,106</u>

Total Current Assets

4,263,870

Restricted Assets

Cash and cash equivalents	<u>2,924,356</u>
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Designated Assets

Cash and cash equivalents designated for long-term purposes	<u>1,286,712</u>
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Capital Assets

Non-depreciable	1,000,323
Depreciable, net of accumulated depreciation	<u>61,368,296</u>

Net Capital Assets

62,368,619

Total Assets

70,843,557

Deferred Outflows of Resources

Pension related deferred outflows	<u>510,220</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

\$ 71,353,777

The accompanying notes are an integral part of these financial statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current Liabilities

Accounts payable	\$ 285,042
Accrued liabilities	186,019
Due to other funds	51,444
Customer deposits	292,030
Payable from restricted assets:	
Accrued interest payable	39,268
Current maturities of long-term debt	<u>758,654</u>

Total Current Liabilities	<u>1,612,457</u>
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Long-term Liabilities

Long-term debt	11,044,911
Net pension liability	<u>2,424,684</u>

Total Long-term Liabilities	<u>13,469,595</u>
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Total Liabilities	<u>15,082,052</u>
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Deferred Inflows of Resources

Pension related deferred inflows	<u>462,146</u>
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Net Position

Net investment in capital assets	50,641,312
Restricted - expendable for debt service	690,081
Restricted - expendable for capital projects	1,388,046
Unrestricted	<u>3,090,140</u>

Total Net Position	<u>55,809,579</u>
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 71,353,777</u></u>
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EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

OPERATING REVENUES	
Water sales	\$ 5,327,974
Wastewater sales	3,012,783
Other income	<u>197,124</u>
Total Operating Revenues	<u>8,537,881</u>
OPERATING EXPENSES	
Water operations	3,453,978
Wastewater operations	2,715,498
Depreciation and amortization	<u>3,003,481</u>
Total Operating Expenses	<u>9,172,957</u>
OPERATING LOSS	(635,076)
NON-OPERATING REVENUES (EXPENSES)	
Investment income	40,480
Interest expense	(425,994)
Other expense	<u>(5,800)</u>
Total Non-operating Revenues (Expenses)	<u>(391,314)</u>
DECREASE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(1,026,390)
Capital grants and contributions	<u>44,923</u>
CHANGE IN NET POSITION	(981,467)
NET POSITION - BEGINNING OF YEAR	<u>56,791,046</u>
NET POSITION - END OF YEAR	<u><u>\$ 55,809,579</u></u>

The accompanying notes are an integral part of these financial statements.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Statement of Cash Flows
For the Year Ended December 31, 2018

Operating Activities	
Receipts from customers	\$ 8,319,944
Other receipts	334,965
Cash paid for supplies and operating costs	(3,215,443)
Cash paid for employee and related costs	<u>(2,697,981)</u>
Net Cash Provided by Operating Activities	<u>2,741,485</u>
Capital and Related Financing Activities	
Purchases of property, plant and equipment	(409,370)
Interest paid on bonds	(424,963)
Principal payments on long-term debt	(735,000)
Trustee fees paid	(5,800)
Proceeds from capital grants and contributions	<u>44,923</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,530,210)</u>
Investing Activities	
Income from investments	<u>40,480</u>
Net Cash Provided by Investing Activities	<u>40,480</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,251,755
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,041,025</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 7,292,780</u></u>
Presented on Statement of Net Position as follows:	
Current assets - cash and cash equivalents	\$ 3,081,712
Restricted assets - cash and cash equivalents	2,924,356
Designated assets - cash and cash equivalents designated for long-term purposes	<u>1,286,712</u>
	<u><u>\$ 7,292,780</u></u>

The accompanying notes are an integral part of these financial statements.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Statement of Cash Flows (Continued)
For the Year Ended December 31, 2018

**Reconciliation of Operating Loss to Net Cash Provided by
Operating Activities**

Operating Loss	\$ (635,076)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	3,003,481
Changes in pension-related accounts:	
Net pension liability	(787,845)
Pension related deferred outflows	445,385
Pension related deferred inflows	397,960
Decrease (increase) in current assets:	
Receivables	178,711
Inventories	33,288
Increase (decrease) in current liabilities:	
Accounts payable	3,700
Accrued liabilities	51,854
Due to other funds	9,650
Customer deposits	40,377
Total adjustments	<u>3,376,561</u>
Net cash provided by operating activities	<u><u>\$ 2,741,485</u></u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2018

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Reporting Entity

The El Dorado Water Utilities (the "Utility") is an enterprise fund of the City of El Dorado, Arkansas (the "City") providing water and wastewater services to approximately 9,200 customers in the City of El Dorado and surrounding areas.

The City Council of the City of El Dorado (City Council) serves as the governing board of the Utility and approves rates and fees for user charges. The Water Advisory Board, established by City Council and placed under the jurisdiction of the Public Works Department, serves the Utility in an advisory capacity.

Basis of Accounting and Presentation

The Utility is accounted for as an enterprise fund and uses the accrual basis of accounting. The Utility's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental enterprise units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the enterprise fund's ongoing operations. The principal operating revenues of the Utility are charges to customers for water and wastewater sales and services. Operating expenses for the Utility include the cost of pumping, treating and delivering water and wastewater discharge, administrative services, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available, the Utility's policy is to use restricted resources first, as required, and then unrestricted resources as they are needed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are financial statement elements distinct from assets and liabilities and represent a consumption or production of net position that applies to future periods and so will not be recognized as an outflow or inflow of resources until then.

Cash and Cash Equivalents

For purposes of the presentation of cash flows, cash and cash equivalents include all restricted and unrestricted cash on hand, demand deposit accounts, money market deposits accounts and certificates of deposit with original maturities of 3 months or less at the date of purchase.

Receivables

The Utility uses the direct write-off method of recording bad debts; and accordingly, an allowance for doubtful accounts is not included in the financial statements. Management believes that there is no material difference between the direct write-off method used and the allowance method.

Inventories

Inventory consists of material and supplies used in the operation, maintenance and construction of or improvements to capital assets. Amounts in inventory are valued at cost, which approximates market values.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2018

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

It is generally the Utility's policy that assets to be used in operations with an initial cost greater than or equal to \$1,000 and an estimated useful life of greater than one year are reported as capital assets. Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Utility:

Land improvements and buildings.....	10 - 40 years
Distribution mains.....	10 - 50 years
Equipment.....	5 - 50 years

Net Position

The Utility's net position is classified in three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. *Restricted net position* presents assets which are restricted either for debt service or capital projects, net of related payables. Net position restricted for debt service is related to assets which are restricted for use pursuant to bond agreements. Net position restricted for capital projects is related to bond proceeds, capital contributions, and contributions receivable which are restricted to certain capital projects. *Unrestricted net position* is the remaining assets less the remaining liabilities that do not meet the definition of net position invested in capital assets, net of related debt; or net position restricted for debt service or capital projects.

Revenue Recognition

Revenues for water supply, treatment and distribution services are recognized in the period during which the services are provided. Revenues include an estimate of charges for services provided but unbilled at year end.

Capital Grants and Contributions

Capital grants and contributions include cash and capital assets contributed by customers, developers or other entities to improve or extend the utility system.

Compensated Absences

The Utility's policies permit employees to earn time off benefits that may be realized in the form of a cash payment or paid time off. A liability for compensated absences and related expenses are recognized as the time off benefits are earned by employees using regular pay rates in effect. Sick leave benefits are recognized only when the time off occurs.

Income Taxes

As a fund of a local governmental entity, the Utility is exempt from federal and state income taxes.

Retirement Benefits

The Utility participates in the Arkansas Public Employees Retirement System ("APERS"), a cost-sharing multiple-employer defined benefit plan, which provides retirement benefits to the Utility's employees. Pension items are allocated to the Utility based on contributions paid to APERS. For purposes of measuring the net pension liability, *deferred outflows of resources and deferred inflows of resources* related to pensions, and pension expense, information about the fiduciary net position of APERS and additions to/deductions from APERS' fiduciary net position have been determined on the same basis as they are reported by APERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT INCOME

At December 31, 2018, the Utility's deposits consisted of demand and time deposit accounts, and the Utility also holds investments of \$1,479,349 in an open-ended money market account. The open-ended money market account is a Federated Treasury Obligation Fund, which is a publicly traded money market mutual fund comprised of short-term United States (U.S.) Treasury Securities. These balances are classified as cash and cash equivalents in the Utility's Statement of Net Position due to their highly liquid nature.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2018

NOTE 2 – DEPOSITS, INVESTMENTS AND INVESTMENT INCOME (Continued)

Custodial Credit Risk

State of Arkansas (the State) statutes require the City, and thus the Utility, to maintain cash balances on deposit with financial institutions located within the State. There is risk that, in the event of a bank failure, these deposits may not be returned to the Utility. To mitigate this risk, it is generally the Utility's policy to obtain collateral for all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance and that such collateral be held in the Utility's name by an agent of the Utility. At December 31, 2018, all balances held in demand and time deposit accounts were secured by collateral held in the Utility's name by the Utility's agent. The money market mutual fund is a U.S. Treasury obligation fund and has a rating of AAAM/Aaa-mf.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with the investment policies complying with state statutes. Funds may be invested in: (1) direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, (2) certificates of deposit at financial institutions when secured by acceptable collateral, (3) time deposit accounts at financial institutions, to the extent fully insured, (4) any bond, note or other indebtedness insured by U.S. government or those agencies insured and guaranteed by the federal government and (5) in equity securities, to a limited extent.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<i>Capital assets, Nondepreciable</i>				
<i>Water Utility</i>				
Land and land rights	\$ 304,271	\$ -	\$ -	\$ 304,271
<i>Wastewater Utility</i>				
Land and land rights	696,052	-	-	696,052
<i>Total Capital Assets, Not Being Depreciated</i>	<u>1,000,323</u>	<u>-</u>	<u>-</u>	<u>1,000,323</u>
<i>Capital Assets, Depreciable</i>				
<i>Water Utility</i>				
Plant and infrastructure	23,011,311	27,456	-	23,038,767
Distribution mains	21,123,766	68,626	-	21,192,392
Equipment	1,967,154	39,974	-	2,007,128
Other	37,175	3,061	-	40,236
Transportation	685,562	-	-	685,562
<i>Wastewater Utility</i>				
Plant and infrastructure	14,644,908	2,712	-	14,647,620
Distribution mains	11,919,224	253,982	-	12,173,206
Discharge line	23,685,041	-	-	23,685,041
Equipment	4,947,592	13,559	-	4,961,151
Other	267,933	-	-	267,933
Transportation	599,602	-	-	599,602
<i>Total Capital Assets, Depreciable</i>	<u>102,889,268</u>	<u>409,370</u>	<u>-</u>	<u>103,298,638</u>
<i>Total Capital Assets</i>	<u>103,889,591</u>	<u>409,370</u>	<u>-</u>	<u>104,298,961</u>
Accumulated Depreciation	<u>(38,926,861)</u>	<u>(3,003,481)</u>	<u>-</u>	<u>(41,930,342)</u>
<i>Capital Assets, Net</i>	<u>\$ 64,962,730</u>	<u>\$ (2,594,111)</u>	<u>\$ -</u>	<u>\$ 62,368,619</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2018

NOTE 4 – LONG-TERM DEBT

The Utility's long-term debt includes the following:

2010 Water Revenue Refunding Bonds

The \$9,380,000 Series 2010 Bonds were issued to replace the then outstanding Series 2001 Bonds. The Series 2010 Bonds are special obligations of the Utility, payable from revenues of the water and wastewater system. Annual interest rates range from 2.00% to 4.50%. Principal payments are due annually on December 1 with the final payment scheduled in 2030. Interest payments are due semiannually on June 1 and December 1.

2012 Water and Sewer Revenue Bonds

The \$7,285,000 Series 2012 Bonds were issued to finance the costs of certain capital improvements consisting of rebuilding up to three wastewater lift stations, replacement and installation of water meters, and acquisition and construction of the Ouachita River Pipeline Project. The Series 2012 Series Bonds are special obligations of the Utility, payable from revenues of the water and wastewater system. Annual interest rates range from 2.00% to 3.25%. Principal payments are due annually on October 1 with the final payment scheduled in 2032. Interest payments are due semiannually on April 1 and October 1.

Compensated Absences

Compensated absences consist of vacation and other leave to the extent that payments are attributable to services already rendered and are not contingent on a specific event that is outside the control of the Utility and the employee. The liability has been calculated using pay rates in effect at December 31, 2018.

Changes in long-term debt for the year ended December 31, 2018, are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Revenue bonds, 2010	\$ 6,695,000	\$ -	\$ (415,000)	\$ 6,280,000	\$ 425,000
Revenue bonds, 2012	5,780,000	-	(320,000)	5,460,000	325,000
Compensated absences	123,571	-	(47,313)	76,258	8,654
 Total Long-Term Debt	 <u>\$ 12,598,571</u>	 <u>\$ -</u>	 <u>\$ (782,313)</u>	 11,816,258	 <u>\$ 758,654</u>
 Unamortized premiums on bonds				43,879	
Unamortized discounts on bonds				<u>(56,572)</u>	
				 <u>\$ 11,803,565</u>	

Presented on the statement of net position under the following captions:

Current maturities of long-term debt payable from restricted assets	\$ 758,654
Long-term debt, net of current portion	<u>11,044,911</u>
	 <u>\$ 11,803,565</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2018

NOTE 4 – LONG-TERM DEBT (Continued)

The sinking fund requirements as of December 31, 2018 were as follows:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total to be Paid
2019	\$ 750,000	\$ 407,150	\$ 1,157,150
2020	775,000	387,900	1,162,900
2021	795,000	366,063	1,161,063
2022	820,000	342,063	1,162,063
2023	845,000	314,813	1,159,813
2024-2028	4,695,000	1,107,038	5,802,038
2029-2032	3,060,000	230,713	3,290,713
	<u>\$ 11,740,000</u>	<u>\$ 3,155,740</u>	<u>\$ 14,895,740</u>

The terms of the bond agreements impose certain restrictive covenants on the Utility. Generally, the Utility is required to establish and maintain rates to provide net revenues, as defined, in each fiscal year at least equal to 120% of the maximum annual principal and interest requirements on all outstanding bonds to which the Utility's water and wastewater revenues are pledged.

NOTE 5 – RISK MANAGEMENT

The Utility is exposed to various risks of loss from: torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, life and accident benefits. Commercial insurance is purchased for claims arising from such matters other than business interruption.

Settled claims have not materially exceeded coverage in any of the three preceding years and there has been no significant reduction in coverage in fiscal year 2018.

NOTE 6 – PENSION PLAN

Substantially all of the Utility's employees are eligible to receive retirement benefits. Employees hired prior to July 18, 2017, participate in a defined benefit plan and employees hired on or after July 18, 2017, participate in a defined contribution plan.

(A) Arkansas Public Employees' Retirement Plan

Plan description: Utility employees hired prior to July 18, 2017, participate in the Arkansas Public Employees' Retirement Plan (the Plan), a multi-employer, cost sharing, defined benefit plan, qualified under Section 401(a) of the Internal Revenue Code, with defined contribution options. The administration and control of the plan is vested in the Board of Trustees of APERS.

Benefits provided: The Plan provides retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Current retirement law provides for a three percent (3%) COLA to all APERS retirees who have been retired or participated in the Deferred Retirement Option Plan (DROP) for at least twelve months on July 1 of each year. Benefit provisions are established by state law and may be amended only by state legislature.

Contributions: Contributions are set forth in Arkansas statute and the Plan was established as contributory. Act 793 of 1977 allowed existing and previous members to become noncontributory members. Anyone joining after January 1, 1978 was automatically enrolled as a noncontributory member. Act 2084 of 2005 established a new contributory requirement for all covered employees first hired on or after July 1, 2005. Employees hired prior to

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2018

NOTE 6 – PENSION PLAN (Continued)

(A) Arkansas Public Employees' Retirement Plan (Continued)

this date have the option to become a contributory member at any time. The Utility is required to contribute a percent of covered salary at an actuarially determined rate. Required employer contributions made during the period July 1, 2017 through June 30, 2018 totaled \$303,680. Employer contribution rates applicable were 14.75% (January 1, 2018 to June 30, 2018) and 15.32% (July 1, 2018 to December 31, 2018) of covered payroll.

Pension Liabilities, Pension Expense, and Deferred Inflows of Resources Related to Pensions: At December 31, 2018, the Utility reported a liability of \$2,424,684 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility's proportion of the net pension liability was based on a projection of the Utility's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Utility's proportion was 0.1099%.

For the year ended December 31, 2018, the Utility recognized the actuarially determined pension expense of \$341,968. At December 31, 2018, the Utility reported deferred inflows and outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 275,879	\$ 149,948
Changes in proportion and differences between employer contributions and share of contributions	51,733	225,389
Differences between expected and actual experience	38,561	25,453
Net difference between projected and actual investment earnings on pension plan investments	-	61,356
Utility contributions subsequent to the measurement date	144,047	-
Total	<u>\$ 510,220</u>	<u>\$ 462,146</u>

At December 31, 2018, the Utility reported \$144,047 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2019.

Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow/Inflow Amounts
2019	\$ 130,884
2020	24,299
2021	(188,712)
2022	(62,444)
	<u>\$ (95,973)</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2018

NOTE 6 – PENSION PLAN (Continued)

(A) Arkansas Public Employees' Retirement Plan (Continued)

Actuarial assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal
Discount rate	7.15%
Inflation rate	3.25%
Salary increases	3.25% - 9.85%
Investment rate of return, net	7.15%

For the purposes of the June 30, 2018 actuarial valuation, the rates of mortality for the period after service retirement are determined according to the RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017. The June 30, 2017 actuarial valuation was determined based on the RP-2000 combined healthy mortality rate table. All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2017 and were applied to all prior periods included in the measurement.

Investment Rate of Return: The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2018 – 2027 were based upon capital market assumptions provided by the Plan's investment consultant. For each major asset class included in the Plan's target asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	5.97%
International Equity	24%	6.07%
Domestic Fixed	16%	4.59%
Absolute Return	5%	3.15%
Real Assets	18%	0.83%
	<u>100%</u>	

Discount rate: A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Notes to Financial Statements
December 31, 2018

NOTE 6 – PENSION PLAN (Continued)

(A) Arkansas Public Employees' Retirement Plan (Continued)

Sensitivity of the Utility's proportionate share of the net pension liability to changes in the discount rate: The following presents the Utility's proportionate share of the net pension liability calculated using the discount rate of 7.15%, as well as what the Utility's proportionate share of the net pension liability would be if it were calculated using a discount rate of one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Utility's proportionate share of the net pension liability	\$ 3,964,239	\$ 2,424,685	\$ 1,154,676

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued APERS financial report. Additional financial and actuarial information is available in APERS' annual financial report for the year ended June 30, 2018. This information and the actuarial valuation report are available on the APERS website, www.apers.org. The reports may also be obtained by writing to APERS, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-501-682-7800.

(B) Defined Contribution Plan

Employees hired subsequent to July 18, 2017 are eligible to participate in a money-purchase defined contribution plan (the Defined Contribution Plan). The Defined Contribution Plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions and contribution requirements may be amended by the City Council. Funding is provided by contributions of 5% by the employee and 5% by the Utility of the employee's total annual compensation. The Utility made contributions totaling \$1,540 to the Defined Contribution Plan during the year ended December 31, 2018.

NOTE 7 – RESTRICTED AND DESIGNATED NET POSITION

Restricted – At December 31, 2018, the Utility had restricted net position of \$2,078,127. Of this amount, \$690,081 was restricted for debt service and \$1,388,046 was restricted for capital projects.

Designated – Unrestricted net position was designated for capital improvements and other future projects by the Utility's Board of Commissioners prior to the dissolution of that governing body. City Council has not formally released the designation, which may be done at their discretion and, therefore, the assets are reported in the statement of net assets as cash and cash equivalents designated for long-term purposes.

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Required Supplementary Information

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of the Utility's Proportionate Share of the Net Pension Liability – Last Ten Fiscal Years*
For the Plan Years Ended June 30, 2015 through June 30, 2018

	<u>As of June 30,</u> <u>2018</u>	<u>As of June 30,</u> <u>2017</u>	<u>As of June 30,</u> <u>2016</u>	<u>As of June 30,</u> <u>2015</u>
Utility's proportion of the net pension liability (percentage)	0.1099%	0.1243%	0.1210%	0.1180%
Utility's proportionate share of the net pension liability (dollars)	\$ 2,424,685	\$ 3,212,529	\$ 3,059,997	\$ 2,173,514
Utility's covered-employee payroll	\$ 2,264,562	\$ 2,264,838	\$ 2,224,684	\$ 2,122,028
Utility's proportionate share of the net pension liability as a percentage of its covered-employee payroll	107.07%	141.84%	137.55%	102.43%
Plan fiduciary net position as a percentage of the total pension liability	79.59%	75.65%	75.50%	80.39%

Information in this schedule has been determined as of the measurement date (June 30 of each year) of the Utility's net pension liability.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB 68, the Utility will only present available information.

See independent auditor's report.

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of the Utility's Contributions to Pension Plan – Last Ten Years
For the Plan Years Ended June 30, 2009 through June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Required contributions	\$ 303,680	\$ 329,454	\$ 315,338	\$ 309,055	\$ 294,691
Contributions in relation to the required contribution	<u>303,680</u>	<u>329,454</u>	<u>315,338</u>	<u>309,055</u>	<u>294,691</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered-employee payroll	\$ 2,264,562	\$ 2,264,838	\$ 2,224,684	\$ 2,122,028	\$ 2,089,578
Contributions as a percentage of covered-employee payroll	13.41%	14.55%	14.17%	14.56%	14.10%

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Required contributions	\$ 295,127	\$ 251,525	\$ 195,790	\$ 172,017	\$ 148,354
Contributions in relation to the required contribution	<u>295,127</u>	<u>251,525</u>	<u>195,790</u>	<u>172,017</u>	<u>148,354</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility's covered-employee payroll	\$ 1,973,122	\$ 1,820,502	\$ 1,504,969	\$ 1,446,550	\$ 1,395,720
Contributions as a percentage of covered-employee payroll	14.96%	13.82%	13.01%	11.89%	10.63%

See independent auditor's report.

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Supplementary Information

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Combining Statement of Net Position
December 31, 2018

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current Assets			
Cash and cash equivalents	\$ 2,729,165	\$ 352,547	\$ 3,081,712
Receivables	412,779	468,273	881,052
Due from other funds	7,216,229	-	7,216,229
Inventories	287,009	14,097	301,106
Total Current Assets	<u>10,645,182</u>	<u>834,917</u>	<u>11,480,099</u>
Non-current Assets			
Restricted for long-term purposes			
Cash and cash equivalents	2,104,972	819,384	2,924,356
Cash designated for long-term purposes	1,065,971	220,741	1,286,712
Capital assets, net	28,191,451	34,177,168	62,368,619
Total Non-current Assets	<u>31,362,394</u>	<u>35,217,293</u>	<u>66,579,687</u>
Deferred Outflows of Resources	<u>285,659</u>	<u>224,561</u>	<u>510,220</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 42,293,235</u>	<u>\$ 36,276,771</u>	<u>\$ 78,570,006</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Current Liabilities			
Accounts payable and accrued liabilities	\$ 297,867	\$ 212,462	\$ 510,329
Due to other funds	51,444	7,216,229	7,267,673
Customer deposits	292,030	-	292,030
Current maturities of long-term debt	429,266	329,388	758,654
Total Current Liabilities	<u>1,070,607</u>	<u>7,758,079</u>	<u>8,828,686</u>
Long-term Liabilities			
Long-term debt	5,836,817	5,208,094	11,044,911
Net pension liability	1,263,705	1,160,979	2,424,684
Total Long-term Liabilities	<u>7,100,522</u>	<u>6,369,073</u>	<u>13,469,595</u>
Total Liabilities	<u>8,171,129</u>	<u>14,127,152</u>	<u>22,298,281</u>
Deferred Inflows of Resources	<u>231,073</u>	<u>231,073</u>	<u>462,146</u>
Net Position			
Net investment in capital assets	21,968,023	28,673,289	50,641,312
Restricted - expendable for debt service	397,114	292,967	690,081
Restricted - expendable for capital projects	1,282,859	105,187	1,388,046
Unrestricted	10,243,037	(7,152,897)	3,090,140
Total Net Position	<u>33,891,033</u>	<u>21,918,546</u>	<u>55,809,579</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 42,293,235</u>	<u>\$ 36,276,771</u>	<u>\$ 78,570,006</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2018

	Water	Wastewater	Total
Operating Revenues			
Water sales	\$ 5,327,974	\$ -	\$ 5,327,974
Wastewater sales	-	3,012,783	3,012,783
Other income	72,447	124,677	197,124
Total Operating Revenues	<u>5,400,421</u>	<u>3,137,460</u>	<u>8,537,881</u>
Operating Expenses			
Pumping operations	639,209	-	639,209
Pumping maintenance	154,386	-	154,386
Treatment operations	31,096	31,825	62,921
Fluoride operations	18,914	-	18,914
Laboratory	-	61,181	61,181
Distribution operations	650,751	-	650,751
Distribution maintenance	608,936	-	608,936
Wastewater collection system	-	226,162	226,162
Wastewater collection maintenance	-	508,360	508,360
South treatment plant	-	386,106	386,106
North treatment plant	-	351,065	351,065
Billing and collecting	445,548	241,182	686,730
General and administrative	905,138	615,152	1,520,290
Ouachita pipeline	-	294,465	294,465
Depreciation and amortization	1,030,940	1,972,541	3,003,481
Total Operating Expenses	<u>4,484,918</u>	<u>4,688,039</u>	<u>9,172,957</u>
Operating Income (Loss)	915,503	(1,550,579)	(635,076)
Non-operating Revenues (Expenses)			
Investment income	29,993	10,487	40,480
Interest expense	(269,123)	(156,871)	(425,994)
Other expense	(2,600)	(3,200)	(5,800)
Total Non-operating Revenues (Expenses)	<u>(241,730)</u>	<u>(149,584)</u>	<u>(391,314)</u>
Income (Loss) before Capital Contributions	673,773	(1,700,163)	(1,026,390)
Capital grants and contributions	44,923	-	44,923
Change in Net Position	718,696	(1,700,163)	(981,467)
Net Position - Beginning of Year	<u>33,172,337</u>	<u>23,618,709</u>	<u>56,791,046</u>
Net Position - Ending of Year	<u>\$ 33,891,033</u>	<u>\$ 21,918,546</u>	<u>\$ 55,809,579</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Comparative Statement of Net Position – Water
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	\$ 2,729,165	\$ 1,715,706
Receivables	412,779	394,414
Due from other funds	7,216,229	6,818,015
Inventories	287,009	316,967
Prepaid insurance	-	-
Total Current Assets	<u>10,645,182</u>	<u>9,245,102</u>
Non-current Assets		
Restricted for long-term purposes		
Cash and cash equivalents	2,104,972	1,908,079
Cash designated for long-term purposes	1,065,971	1,336,647
Capital assets, net	28,191,451	29,083,274
Total Non-current Assets	<u>31,362,394</u>	<u>32,328,000</u>
Deferred Outflows of Resources	<u>285,659</u>	<u>484,121</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 42,293,235</u>	<u>\$ 42,057,223</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 297,867	\$ 235,181
Due to other funds	51,444	41,794
Customer deposits	292,030	251,653
Current maturities of long-term debt	429,266	421,884
Total Current Liabilities	<u>1,070,607</u>	<u>950,512</u>
Long-term Liabilities		
Long-term debt	5,836,817	6,277,327
Net pension liability	1,263,705	1,624,954
Total Long-term Liabilities	<u>7,100,522</u>	<u>7,902,281</u>
Total Liabilities	<u>8,171,129</u>	<u>8,852,793</u>
Deferred Inflows of Resources	<u>231,073</u>	<u>32,093</u>
Net Position		
Net investment in capital assets	21,968,023	22,452,907
Restricted - expendable for debt service	397,114	327,125
Restricted - expendable for capital projects	1,282,859	1,165,954
Unrestricted	10,243,037	9,226,351
Total Net Position	<u>33,891,033</u>	<u>33,172,337</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 42,293,235</u>	<u>\$ 42,057,223</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Comparative Statement of Revenues, Expenses and Changes in Net Position – Water
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Water sales	\$ 5,327,974	\$ 5,068,743
Other income	72,447	78,769
Total Operating Revenues	<u>5,400,421</u>	<u>5,147,512</u>
Operating Expenses		
Pumping operations	639,209	640,576
Pumping maintenance	154,386	100,997
Treatment operations	31,096	36,870
Flouride operations	18,914	11,655
Distribution operations	650,751	539,011
Distribution maintenance	608,936	829,440
Billing and collecting	445,548	438,010
General and administrative	905,138	1,163,197
Depreciation and amortization	1,030,940	1,004,129
Total Operating Expenses	<u>4,484,918</u>	<u>4,763,885</u>
Operating Income	915,503	383,627
Non-operating Revenues (Expenses)		
Investment income	29,993	16,739
Interest expense	(269,123)	(279,561)
Other expense	(2,600)	(2,600)
Total Non-operating Revenues (Expenses)	<u>(241,730)</u>	<u>(265,422)</u>
Income before Capital Contributions	673,773	118,205
Capital grants and contributions	44,923	904,020
Change in Net Position	<u>718,696</u>	<u>1,022,225</u>
Net Position - Beginning of Year	<u>33,172,337</u>	<u>32,150,112</u>
Net Position - Ending of Year	<u>\$ 33,891,033</u>	<u>\$ 33,172,337</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Water
For the Year Ended December 31, 2018

	<u>Pumping Operations</u>	<u>Pumping Maintenance</u>	<u>Treatment Operations</u>	<u>Fluoride Operations</u>
Operating Expenses				
Labor	\$ 244,361	\$ 53,938	\$ -	\$ -
Transportation	2,576	-	-	3,795
Postage	-	-	-	-
Telephone	-	-	-	-
Retirement	18,902	2,993	-	-
Insurance	-	-	-	-
Bad debts	-	-	-	-
Utilities - electric	332,265	-	-	-
Utilities - other	757	-	-	-
Professional fees	-	-	-	-
Payroll taxes and other	18,600	4,106	-	-
Training, meeting and travel	-	-	-	-
Membership and dues	-	-	-	-
Miscellaneous	10,790	199	1,254	258
Uniforms	-	-	-	-
Employee expense	-	-	-	-
Repairs and maintenance	-	-	88	4,603
Building/site maintenance	-	15,596	-	-
Equipment maintenance	58	16,285	-	-
Contract labor	-	8,145	-	-
Materials and supplies	10,900	181	3,144	88
Engine & motor parts	-	52,943	-	-
Computer support	-	-	-	-
Claim settlement/ADEQ Fees	-	-	-	-
Cellular meter fees	-	-	-	-
Safety	-	-	-	-
Chemicals	-	-	26,610	10,170
Total Operating Expenses before Depreciation and Amortization	<u>\$ 639,209</u>	<u>\$ 154,386</u>	<u>\$ 31,096</u>	<u>\$ 18,914</u>

<u>Distribution Operations</u>	<u>Distribution Maintenance</u>	<u>Billing and Collecting</u>	<u>General and Administrative</u>	<u>Total</u>
\$ 485,570	\$ 259,912	\$ 144,442	\$ 134,867	\$ 1,323,090
10,306	37,888	4,840	575	59,980
-	-	23,776	1,252	25,028
-	-	-	40,297	40,297
28,684	18,276	6,787	159,704	235,346
-	-	-	286,620	286,620
-	-	72,696	-	72,696
-	-	-	3,954	336,219
-	-	-	1,161	1,918
-	-	-	98,139	98,139
36,961	19,784	10,995	10,266	100,712
-	-	-	5,527	5,527
-	-	-	38,505	38,505
499	1,817	647	42,734	58,198
-	-	-	27,937	27,937
-	-	-	1,107	1,107
-	2,119	-	-	6,810
-	21	-	12,872	28,489
11,733	26,720	18,953	1,767	75,516
4,472	32,563	5,328	7,457	57,965
72,526	203,278	17,739	25,704	333,560
-	-	-	-	52,943
-	-	29,200	-	29,200
-	6,558	-	-	6,558
-	-	110,145	-	110,145
-	-	-	4,693	4,693
-	-	-	-	36,780
<u>\$ 650,751</u>	<u>\$ 608,936</u>	<u>\$ 445,548</u>	<u>\$ 905,138</u>	<u>\$ 3,453,978</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Water
For the Year Ended December 31, 2017

	Pumping Operations	Pumping Maintenance	Treatment Operations	Fluoride Operations
Operating Expenses				
Labor	\$ 217,945	\$ 28,987	\$ -	\$ -
Transportation	7,593	-	2,576	2,576
Postage	-	-	-	-
Retirement	-	-	-	-
Insurance	-	-	-	-
Bad debts	-	-	-	-
Utilities - electric	390,537	-	-	-
Utilities - other	966	-	-	-
Professional Fees	-	-	-	-
Payroll taxes and other	-	-	-	-
Training, meeting and travel	-	-	-	-
Membership and dues	-	-	-	-
Miscellaneous	14,232	1,938	597	787
Uniforms	-	-	-	-
Employee expense	-	-	-	-
Building and site maintenance	-	206	-	-
Equipment maintenance	-	7,083	-	3,181
Contract labor	-	200	3,895	-
Materials and supplies	9,303	-	29,802	5,111
Engine and motor parts	-	62,583	-	-
Computer support	-	-	-	-
Claim settlement	-	-	-	-
Cellular meter fees	-	-	-	-
Safety	-	-	-	-
Total Operating Expenses before Depreciation and Amortization	\$ 640,576	\$ 100,997	\$ 36,870	\$ 11,655

<u>Distribution Operations</u>	<u>Distribution Maintenance</u>	<u>Billing and Collecting</u>	<u>General and Administrative</u>	<u>Total</u>
\$ 419,591	\$ 284,579	\$ 158,255	\$ 181,108	\$ 1,290,465
13,824	45,582	5,888	6,600	84,639
-	-	21,158	1,836	22,994
-	-	-	249,483	249,483
-	-	-	320,840	320,840
-	-	67,310	-	67,310
-	-	-	7,581	398,118
-	-	-	591	1,557
-	-	-	48,260	48,260
-	-	-	129,312	129,312
-	-	-	20,365	20,365
-	-	-	29,389	29,389
474	2,175	84	35,006	55,293
-	-	-	30,108	30,108
-	-	-	5,904	5,904
-	-	-	12,923	13,129
15,536	30,169	12,747	-	68,716
-	-	-	8,325	12,420
89,586	465,001	38,129	22,443	659,375
-	-	-	-	62,583
-	-	26,587	-	26,587
-	1,934	-	-	1,934
-	-	107,852	35,490	143,342
-	-	-	17,633	17,633
<u>\$ 539,011</u>	<u>\$ 829,440</u>	<u>\$ 438,010</u>	<u>\$ 1,163,197</u>	<u>\$ 3,759,756</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Comparative Statement of Net Position – Wastewater
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash	\$ 352,547	\$ 257,945
Receivables	468,273	665,349
Inventories	14,097	17,427
Total Current Assets	<u>834,917</u>	<u>940,721</u>
Non-current Assets		
Cash restricted for long-term purposes	819,384	753,735
Cash designated for long-term purposes	220,741	68,913
Capital assets, net	34,177,168	35,879,456
Total Non-current Assets	<u>35,217,293</u>	<u>36,702,104</u>
Deferred Outflows of Resources	<u>224,561</u>	<u>471,484</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 36,276,771</u>	<u>\$ 38,114,309</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 212,462	\$ 173,876
Due to other funds	7,216,229	6,818,015
Current maturities of long-term debt	329,388	325,473
Total Current Liabilities	<u>7,758,079</u>	<u>7,317,364</u>
Long-term Liabilities		
Long-term debt	5,208,094	5,558,568
Net pension liability	1,160,979	1,587,575
Total Long-term Liabilities	<u>6,369,073</u>	<u>7,146,143</u>
Total Liabilities	<u>14,127,152</u>	<u>14,463,507</u>
Deferred Inflows of Resources	<u>231,073</u>	<u>32,093</u>
Net Position		
Net investment in capital assets	28,673,289	30,050,143
Restricted - expendable for debt service	292,967	291,434
Restricted - expendable for capital projects	105,187	101,437
Unrestricted	(7,152,897)	(6,824,305)
Total Net Position	<u>21,918,546</u>	<u>23,618,709</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 36,276,771</u>	<u>\$ 38,114,309</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Comparative Statement of Revenues, Expenses and Changes in Net Position – Wastewater
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Wastewater sales	\$ 3,012,783	\$ 3,076,820
Other income	124,677	27,379
Total Operating Revenues	<u>3,137,460</u>	<u>3,104,199</u>
Operating Expenses		
Treatment operations	31,825	16,755
Laboratory	61,181	40,672
Wastewater collection	226,162	229,286
Wastewater collection maintenance	508,360	524,990
South treatment plant	386,106	320,971
North treatment plant	351,065	329,792
Billing and collecting	241,182	258,743
General and administrative	615,152	917,245
Ouachita pipeline	294,465	594,402
Depreciation and amortization	1,972,541	1,940,094
Total Operating Expenses	<u>4,688,039</u>	<u>5,172,950</u>
Operating Income	(1,550,579)	(2,068,751)
Non-operating Revenues (Expenses)		
Investment income	10,487	5,141
Interest expense	(156,871)	(158,370)
Other expense	(3,200)	(3,100)
Total Non-operating Revenues (Expenses)	<u>(149,584)</u>	<u>(156,329)</u>
Loss before Capital Contributions	(1,700,163)	(2,225,080)
Capital grants and contributions	-	365,272
Change in Net Position	<u>(1,700,163)</u>	<u>(1,859,808)</u>
Net Position - Beginning of Year	<u>23,618,709</u>	<u>25,478,517</u>
Net Position - Ending of Year	<u>\$ 21,918,546</u>	<u>\$ 23,618,709</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Wastewater
For the Year Ended December 31, 2018

	<u>Treatment Operations</u>	<u>Laboratory</u>	<u>Wastewater Collection System</u>	<u>Wastewater Collection Maintenance</u>
Operating Expenses				
Labor	\$ 21,631	\$ 22,110	\$ 116,188	\$ 255,260
Transportation	-	3,134	7,190	17,069
Postage	-	-	-	-
Telephone	-	-	-	-
Retirement	-	-	8,719	7,988
Insurance	-	-	-	-
Bad debts	-	-	-	-
Utilities - electric	-	-	62,436	-
Utilities - other	-	186	2,565	-
Professional fees	-	-	-	-
Payroll taxes and other	1,647	1,683	8,844	19,430
Training, meeting and travel	-	-	-	-
Membership and dues	-	-	-	-
Miscellaneous	-	14,259	844	2,266
Outside engineering	-	-	-	-
Uniforms	-	-	-	-
Employee expense	-	-	-	-
Repairs and maintenance	-	1,397	-	3,025
Building/site maintenance	-	-	-	-
Equipment maintenance	-	2,008	7,754	25,488
Contract labor	-	-	374	5,913
Materials and supplies	327	9,832	5,654	36,090
Electrical maintenance	-	-	5,594	4,737
Computer support	-	-	-	-
Claim settlement/ADEQ Fees	-	-	-	131,094
Independent sampling	8,220	6,542	-	-
EWU sampling	-	30	-	-
Safety	-	-	-	-
Chemicals	-	-	-	-
Total Operating Expenses before Depreciation and Amortization	<u><u>\$ 31,825</u></u>	<u><u>\$ 61,181</u></u>	<u><u>\$ 226,162</u></u>	<u><u>\$ 508,360</u></u>

South Treatment Plant	North Treatment Plant	Billing and Collections	General and Administrative	Ouachita Pipeline	Total
\$ 109,587	\$ 101,497	\$ 145,738	\$ 113,935	\$ 12,774	\$ 898,720
8,270	6,292	3,236	5,226	4,354	54,771
-	-	18,700	297	-	18,997
-	-	-	3,881	-	3,881
6,664	5,620	11,093	79,171	-	119,255
-	-	-	256,050	-	256,050
-	-	39,013	-	-	39,013
122,401	105,282	-	6,014	61,173	357,306
3,051	3,190	-	1,270	-	10,262
-	-	-	48,782	3,005	51,787
8,342	7,726	-	8,673	2,141	58,486
-	-	-	536	-	536
-	-	-	34,400	-	34,400
161	-	7	7,145	12,133	36,815
-	-	-	18,890	57,670	76,560
-	-	-	13,941	-	13,941
-	-	-	30	-	30
-	-	-	-	1,811	6,233
782	1,323	-	1,606	8,754	12,465
17,962	21,644	-	1,805	15,269	91,930
-	-	-	-	-	6,287
4,004	2,206	-	6,040	4,497	68,650
28,383	25,390	-	-	136	64,240
-	-	23,395	-	-	23,395
-	-	-	-	-	131,094
-	-	-	-	50,968	65,730
-	-	-	-	59,780	59,810
-	-	-	7,460	-	7,460
76,499	70,895	-	-	-	147,394
<u>\$ 386,106</u>	<u>\$ 351,065</u>	<u>\$ 241,182</u>	<u>\$ 615,152</u>	<u>\$ 294,465</u>	<u>\$ 2,715,498</u>

EL DORADO WATER UTILITIES
An Enterprise Fund of the City of El Dorado, Arkansas
Schedule of Operating Expenses – Wastewater
For the Year Ended December 31, 2017

	Treatment Operations	Laboratory	Wastewater Collection System	Wastewater Collection Maintenance
Operating Expenses				
Labor	\$ 19,887	\$ 25,068	\$ 109,552	\$ 319,506
Transportation	-	3,229	6,674	18,085
Postage	-	-	-	-
Retirement	-	-	-	-
Insurance	-	-	-	-
Bad debts	-	-	-	-
Utilities - electric	-	-	77,610	-
Utilities - other	-	-	3,191	-
Professional fees	-	-	-	-
Payroll taxes and other	-	-	-	-
Training, meeting and travel	-	-	-	-
Membership and dues	-	-	-	-
Miscellaneous	-	500	-	53,306
Outside engineering	-	-	-	-
Uniforms	-	-	-	-
Employee expense	-	-	-	-
Building/site maintenance	-	-	-	-
Equipment maintenance	-	-	25,347	53,581
Materials and supplies	-	4,391	1,600	76,138
Electrical maintenance	-	-	5,312	2,906
Computer support	-	-	-	-
Claim settlement/ADEQ Fees	-	-	-	1,468
Independent lab testing	(3,132)	7,484	-	-
EWU sampling	-	-	-	-
Safety	-	-	-	-
Chemicals	-	-	-	-
Total Operating Expenses before Depreciation and Amortization	\$ 16,755	\$ 40,672	\$ 229,286	\$ 524,990

South Treatment Plant	North Treatment Plant	Billing and Collections	General and Administrative	Ouachita Pipeline	Total
\$ 106,036	\$ 105,383	\$ 164,074	\$ 182,165	\$ 21,630	\$ 1,053,301
4,156	3,068	8,413	6,862	3,083	53,570
-	-	15,300	-	6	15,306
-	-	-	189,305	-	189,305
-	-	-	265,163	-	265,163
-	-	38,519	-	-	38,519
114,098	115,538	-	6,318	85,253	398,817
4,000	3,828	-	615	-	11,634
-	-	-	45,330	-	45,330
-	-	-	48,157	-	48,157
-	-	-	4,244	-	4,244
-	-	-	20,840	-	20,840
5	6	-	6,671	57,496	117,984
-	-	-	102,123	134,438	236,561
-	-	-	13,444	-	13,444
-	-	-	406	-	406
984	1,072	-	6,893	43,344	52,293
16,999	13,363	7,700	-	75,929	192,919
3,281	2,934	-	7,192	15,113	110,649
12,156	20,588	-	-	-	40,962
-	-	24,737	-	-	24,737
-	-	-	-	17,670	19,138
-	-	-	-	86,356	90,708
-	-	-	-	54,084	54,084
-	-	-	11,517	-	11,517
59,256	64,012	-	-	-	123,268
<u>\$ 320,971</u>	<u>\$ 329,792</u>	<u>\$ 258,743</u>	<u>\$ 917,245</u>	<u>\$ 594,402</u>	<u>\$ 3,232,856</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To Veronica Smith-Creer, Mayor, and Members of City Council
City of El Dorado, Arkansas
El Dorado, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **El Dorado Water Utilities** (the Utility), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated July 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Utility's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Utility's internal control. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Veronica Smith-Creer, Mayor, and Members of City Council
City of El Dorado, Arkansas
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Landmark PLC
Certified Public Accountants

July 1, 2019
Little Rock, Arkansas

EXHIBIT B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN